

of the United Mexican States, receiving 42.5 percent of the 37,600,000 votes cast, according to preliminary results released by the Federal Electoral Institute; and

Whereas, according to the Federal Electoral Institute and domestic and international observers, the July 2nd elections were unprecedented in their degree of fairness and transparency, forming the foundation for a genuinely democratic and pluralistic government that represents the will and sovereignty of the people of Mexico: Now, therefore, be it

Resolved,

SECTION 1. CONGRATULATING THE PEOPLE OF MEXICO ON THE OCCASION OF THE DEMOCRATIC ELECTIONS HELD IN MEXICO.

(a) CONGRATULATING THE PEOPLE OF MEXICO.—The Senate, on behalf of the people of the United States, hereby—

(1) congratulates the people of Mexico for their long, courageous, and fruitful struggle for representative democracy and the rule of law;

(2) congratulates Vicente Fox Quesada for his electoral triumph and extends to him genuine best wishes for great success in his formation of a new government; and

(3) congratulates Ernesto Zedillo Ponce de Leon, current President of the United Mexican States, for his historic commitment to ensure the peaceful and stable transition of power.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that the United States should seek to—

(1) expand and intensify its cooperation with the newly elected Government of Mexico to promote economic development and to reduce poverty to achieve an improved quality of life for citizens of both countries;

(2) confront common threats such as the trafficking in illicit narcotics; and

(3) act in solidarity to actively promote representative democracy and the rule of law throughout the world.

SEC. 2. TRANSMITTAL OF RESOLUTION.

The Secretary of the Senate shall transmit a copy of this resolution to—

(1) Vicente Fox Quesada, President-elect of the United Mexican States;

(2) Luis Felipe Bravo Mena, president of the National Action Party of Mexico;

(3) the International Republican Institute for International Affairs and the National Democratic Institute; and

(4) the Secretary of State with the request that the Secretary further transmit such copy to Ernesto Zedillo Ponce de Leon, President of the United Mexican States.

AMENDMENTS SUBMITTED

DEATH TAX ELIMINATION ACT

MOYNIHAN AMENDMENT NO. 3821

Mr. MOYNIHAN proposed an amendment to the bill (H.R. 8) to amend the Internal Revenue Code of 1986 to phase-out the estate and gift taxes over a 10-year period; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the “Estate Tax Relief Act of 2000”.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a

section or other provision of the Internal Revenue Code of 1986.

SEC. 2. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

“In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	\$1,000,000
2006 and 2007	\$1,125,000
2008	\$1,500,000
2009 or thereafter	\$2,000,000.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 3. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

“(2) MAXIMUM DEDUCTION.—

“(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

“(i) the applicable deduction amount, plus

“(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

“(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

“In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	\$1,375,000
2006 and 2007	\$1,625,000
2008	\$2,375,000
2009 or thereafter	\$3,375,000.

“(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

“(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

“(ii) the sum of—

“(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

“(II) the amount of any increase in such estate’s unified credit under paragraph (3)(B) which was allowed to such estate.”

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking “\$675,000” both places it appears and inserting “the applicable deduction amount”, and

(2) by striking “\$675,000” in the heading and inserting “APPLICABLE DEDUCTION AMOUNT”.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 4. SENSE OF SENATE REGARDING SAVINGS.

It is the sense of the Senate that the reduced cost to the Federal Treasury resulting from the amendments made by this Act as compared to the cost to the Federal Treasury of H.R. 8 as received by the Senate from the House of Representatives on June 12, 2000, should be used exclusively to reduce the Federal debt held by the public.

Amend the title so as to read: “An Act to amend the Internal Revenue Code of 1986 to

increase the unified credit exemption and the qualified family-owned business interest deduction, and for other purposes.”

**SCHUMER (AND OTHERS)
AMENDMENT NO. 3822**

Mr. SCHUMER (for himself, Mr. BIDEN, Mr. BAYH, Ms. LANDRIEU, Mr. DURBIN, and Mr. ROBB) proposed an amendment to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the “Estate Tax Relief Act of 2000”.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

“In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	\$1,000,000
2006 and 2007	\$1,125,000
2008	\$1,500,000
2009 or thereafter	\$2,000,000.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

“(2) MAXIMUM DEDUCTION.—

“(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

“(i) the applicable deduction amount, plus

“(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

“(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

“In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	\$1,375,000
2006 and 2007	\$1,625,000
2008	\$2,375,000
2009 or thereafter	\$3,375,000.

“(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

“(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

“(ii) the sum of—

“(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

“(II) the amount of any increase in such estate’s unified credit under paragraph (3)(B) which was allowed to such estate.”

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking “\$675,000” both places it appears and inserting “the applicable deduction amount”, and

(2) by striking “\$675,000” in the heading and inserting “APPLICABLE DEDUCTION AMOUNT”.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—MAKE COLLEGE AFFORDABLE

SEC. 201. DEDUCTION FOR HIGHER EDUCATION EXPENSES.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 as section 223 and by inserting after section 221 the following:

“SEC. 222. HIGHER EDUCATION EXPENSES.

“(a) ALLOWANCE OF DEDUCTION.—

“(1) IN GENERAL.—In the case of an individual, there shall be allowed as a deduction an amount equal to the applicable dollar amount of the qualified higher education expenses paid by the taxpayer during the taxable year.

“(2) APPLICABLE DOLLAR AMOUNT.—The applicable dollar amount for any taxable year shall be determined as follows:

“Taxable year:	Applicable dollar amount:
2002	\$4,000
2003	\$8,000
2004 and thereafter	\$12,000.

“(b) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

“(1) IN GENERAL.—The amount which would (but for this subsection) be taken into account under subsection (a) shall be reduced (but not below zero) by the amount determined under paragraph (2).

“(2) AMOUNT OF REDUCTION.—The amount determined under this paragraph equals the amount which bears the same ratio to the amount which would be so taken into account as—

“(A) the excess of—

“(i) the taxpayer’s modified adjusted gross income for such taxable year, over

“(ii) \$62,450 (\$104,050 in the case of a joint return, \$89,150 in the case of a return filed by a head of household, and \$52,025 in the case of a return by a married individual filing separately), bears to

“(B) \$15,000.

“(3) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term ‘modified adjusted gross income’ means the adjusted gross income of the taxpayer for the taxable year determined—

“(A) without regard to this section and sections 911, 931, and 933, and

“(B) after the application of sections 86, 135, 219, 220, and 469.

For purposes of the sections referred to in subparagraph (B), adjusted gross income shall be determined without regard to the deduction allowed under this section.

“(c) QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this section—

“(1) QUALIFIED HIGHER EDUCATION EXPENSES.—

“(A) IN GENERAL.—The term ‘qualified higher education expenses’ means tuition and fees charged by an educational institution and required for the enrollment or attendance of—

“(i) the taxpayer,

“(ii) the taxpayer’s spouse,

“(iii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151, or

“(iv) any grandchild of the taxpayer, as an eligible student at an institution of higher education.

“(B) ELIGIBLE COURSES.—Amounts paid for qualified higher education expenses of any individual shall be taken into account under subsection (a) only to the extent such expenses—

“(i) are attributable to courses of instruction for which credit is allowed toward a baccalaureate degree by an institution of higher education or toward a certificate of required course work at a vocational school, and

“(ii) are not attributable to any graduate program of such individual.

“(C) EXCEPTION FOR NONACADEMIC FEES.—Such term does not include any student activity fees, athletic fees, insurance expenses, or other expenses unrelated to a student’s academic course of instruction.

“(D) ELIGIBLE STUDENT.—For purposes of subparagraph (A), the term ‘eligible student’ means a student who—

“(i) meets the requirements of section 484(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1091(a)(1)), as in effect on the date of the enactment of this section, and

“(ii) is carrying at least one-half the normal full-time work load for the course of study the student is pursuing, as determined by the institution of higher education.

“(E) IDENTIFICATION REQUIREMENT.—No deduction shall be allowed under subsection (a) to a taxpayer with respect to an eligible student unless the taxpayer includes the name, age, and taxpayer identification number of such eligible student on the return of tax for the taxable year.

“(2) INSTITUTION OF HIGHER EDUCATION.—The term ‘institution of higher education’ means an institution which—

“(A) is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this section, and

“(B) is eligible to participate in programs under title IV of such Act.

“(d) SPECIAL RULES.—

“(1) NO DOUBLE BENEFIT.—

“(A) IN GENERAL.—No deduction shall be allowed under subsection (a) for any expense for which a deduction is allowable to the taxpayer under any other provision of this chapter unless the taxpayer irrevocably waives his right to the deduction of such expense under such other provision.

“(B) DENIAL OF DEDUCTION IF CREDIT ELECTED.—No deduction shall be allowed under subsection (a) for a taxable year with respect to the qualified higher education expenses of an individual if the taxpayer elects to have section 25A apply with respect to such individual for such year.

“(C) DEPENDENTS.—No deduction shall be allowed under subsection (a) to any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins.

“(D) COORDINATION WITH EXCLUSIONS.—A deduction shall be allowed under subsection (a) for qualified higher education expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135 or 530(d)(2) for the taxable year.

“(2) LIMITATION ON TAXABLE YEAR OF DEDUCTION.—

“(A) IN GENERAL.—A deduction shall be allowed under subsection (a) for qualified higher education expenses for any taxable year only to the extent such expenses are in connection with enrollment at an institution of higher education during the taxable year.

“(B) CERTAIN PREPAYMENTS ALLOWED.—Subparagraph (A) shall not apply to qualified higher education expenses paid during a taxable year if such expenses are in connection

with an academic term beginning during such taxable year or during the first 3 months of the next taxable year.

“(3) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS AND VETERANS BENEFITS.—The amount of qualified higher education expenses otherwise taken into account under subsection (a) with respect to the education of an individual shall be reduced (before the application of subsection (b)) by the sum of the amounts received with respect to such individual for the taxable year as—

“(A) a qualified scholarship which under section 117 is not includable in gross income,

“(B) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code, or

“(C) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for educational expenses, or attributable to enrollment at an eligible educational institution, which is exempt from income taxation by any law of the United States.

“(4) NO DEDUCTION FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and the taxpayer’s spouse file a joint return for the taxable year.

“(5) NONRESIDENT ALIENS.—If the taxpayer is a nonresident alien individual for any portion of the taxable year, this section shall apply only if such individual is treated as a resident alien of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

“(6) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations requiring record-keeping and information reporting.”

(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) is amended by inserting after paragraph (17) the following:

“(18) HIGHER EDUCATION EXPENSES.—The deduction allowed by section 222.”

(c) CONFORMING AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 is amended by striking the item relating to section 222 and inserting the following:

“Sec. 222. Higher education expenses.

“Sec. 223. Cross reference.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to payments made in taxable years beginning after December 31, 2001.

SEC. 202. CREDIT FOR INTEREST ON HIGHER EDUCATION LOANS.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to non-refundable personal credits) is amended by inserting after section 25A the following new section:

“SEC. 25B. INTEREST ON HIGHER EDUCATION LOANS.

“(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the interest paid by the taxpayer during the taxable year on any qualified education loan.

“(b) MAXIMUM CREDIT.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the credit allowed by subsection (a) for the taxable year shall not exceed \$1,500.

“(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

“(A) IN GENERAL.—If the modified adjusted gross income of the taxpayer for the taxable year exceeds \$50,000 (\$80,000 in the case of a joint return), the amount which would (but

for this paragraph) be allowable as a credit under this section shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which would be so allowable as such excess bears to \$20,000.

“(B) MODIFIED ADJUSTED GROSS INCOME.—The term ‘modified adjusted gross income’ means adjusted gross income determined without regard to sections 911, 931, and 933.

“(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2003, the \$50,000 and \$80,000 amounts referred to in subparagraph (A) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section (1)(f)(3) for the calendar year in which the taxable year begins, by substituting ‘2002’ for ‘1992’.

“(D) ROUNDING.—If any amount as adjusted under subparagraph (C) is not a multiple of \$50, such amount shall be rounded to the nearest multiple of \$50.

“(C) DEPENDENTS NOT ELIGIBLE FOR CREDIT.—No credit shall be allowed by this section to an individual for the taxable year if a deduction under section 151 with respect to such individual is allowed to another taxpayer for the taxable year beginning in the calendar year in which such individual’s taxable year begins.

“(d) LIMIT ON PERIOD CREDIT ALLOWED.—A credit shall be allowed under this section only with respect to interest paid on any qualified education loan during the first 60 months (whether or not consecutive) in which interest payments are required. For purposes of this paragraph, any loan and all refinancings of such loan shall be treated as 1 loan.

“(e) DEFINITIONS.—For purposes of this section—

“(1) QUALIFIED EDUCATION LOAN.—The term ‘qualified education loan’ has the meaning given such term by section 221(e)(1).

“(2) DEPENDENT.—The term ‘dependent’ has the meaning given such term by section 152.

“(f) SPECIAL RULES.—

“(1) DENIAL OF DOUBLE BENEFIT.—No credit shall be allowed under this section for any amount taken into account for any deduction under any other provision of this chapter.

“(2) MARRIED COUPLES MUST FILE JOINT RETURN.—If the taxpayer is married at the close of the taxable year, the credit shall be allowed under subsection (a) only if the taxpayer and the taxpayer’s spouse file a joint return for the taxable year.

“(3) MARITAL STATUS.—Marital status shall be determined in accordance with section 7703.”

(b) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25A the following new item:

“Sec. 25B. Interest on higher education loans.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any qualified education loan (as defined in section 25B(e)(1) of the Internal Revenue Code of 1986, as added by this section) incurred on, before, or after the date of the enactment of this Act, but only with respect to any loan interest payment due after December 31, 2001.

TITLE III—ADVANCED TEACHER CERTIFICATION INCENTIVES

SEC. 301. CERTIFIED TEACHER CREDIT.

(a) FINDINGS.—Congress makes the following findings:

(1) Studies have shown that the greatest single in-school factor affecting student achievement is teacher quality.

(2) Most accomplished teachers do not get the rewards they deserve.

(3) After adjusting amounts for inflation, the average teacher salary for 1997–1998 of \$39,347 is just \$2 above what it was in 1993. Such salary is also just \$1,924 more than the average salary recorded in 1972, a real increase of only \$75 per year.

(4) While K–12 enrollments are steadily increasing, the teacher population is aging. There is a need, now more than ever, to attract competent, capable, and bright college graduates or mid-career professionals to the teaching profession.

(5) The Department of Education projects that 2,000,000 new teachers will have to be hired in the next decade. Shortages, if they occur, will most likely be felt in urban or rural regions of the country where working conditions may be difficult or compensation low.

(6) If students are to receive a high quality education and remain competitive in the global market the United States must attract talented and motivated people to the teaching profession in large numbers.

(b) ALLOWANCE OF CREDIT.—Subpart C of part IV of subchapter A of chapter 1 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

“SEC. 35. CERTIFIED TEACHER CREDIT.

“(a) ALLOWANCE OF CREDIT.—

“(1) IN GENERAL.—In the case of an eligible teacher, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year \$5,000.

“(2) YEAR CREDIT ALLOWED.—The credit under paragraph (1) shall be allowed in the taxable year in which the taxpayer becomes a certified individual.

“(b) DEFINITIONS.—For purposes of this section—

“(1) ELIGIBLE TEACHER.—

“(A) IN GENERAL.—The term ‘eligible teacher’ means a certified individual who is a pre-kindergarten or early childhood educator, or a kindergarten through grade 12 classroom teacher, instructor, counselor, aide, or principal in an elementary or secondary school on a full-time basis for an academic year ending during a taxable year.

“(B) CERTIFIED INDIVIDUAL.—The term ‘certified individual’ means an individual who has successfully completed the requirements for advanced certification provided by the National Board for Professional Teaching Standards.

“(2) ELEMENTARY OR SECONDARY SCHOOL.—The term ‘elementary or secondary school’ means a public elementary or secondary school which—

“(A) is located in a school district of a local educational agency which is eligible, during the taxable year, for assistance under part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.), and

“(B) during the taxable year, the Secretary of Education determines to have an enrollment of children counted under section 1124(c) of such Act (20 U.S.C. 6333(c)) in an amount in excess of an amount equal to 40 percent of the total enrollment of such school.

“(c) VERIFICATION.—The credit allowed under subsection (a) shall be allowed with respect to any certified individual only if the certification is verified in such manner as the Secretary shall prescribe by regulation.

“(d) ELECTION TO HAVE CREDIT NOT APPLY.—A taxpayer may elect to have this section not apply for any taxable year.”

(c) EXCLUSION FROM INCOME FOR CERTAIN AMOUNTS.—Part III of subchapter B of chapter 1 (relating to items specifically excluded

from gross income) is amended by redesignating section 139 as section 140 and inserting after section 138 the following new section:

“SEC. 139. CERTAIN AMOUNTS RECEIVED BY CERTIFIED TEACHERS.

“(a) IN GENERAL.—In the case of a certified teacher, gross income shall not include the value of anything received during the taxable year solely by reason of such teacher having successfully completed the requirements for advanced certification provided by the National Board for Professional Teaching Standards (such as an incentive payment).

“(b) CERTIFIED TEACHER.—For purposes of this section, the term ‘certified teacher’ has the meaning given the term ‘eligible teacher’ under section 35(b)(1).

“(c) VERIFICATION.—The exclusion under subsection (a) shall be allowed with respect to any certified teacher only if the certification is verified in such manner as the Secretary shall prescribe by regulation.

“(d) AMOUNTS MUST BE REASONABLE.—Amounts excluded under subsection (a) shall include only amounts which are reasonable.”

(d) CONFORMING AMENDMENTS.—

(1) Section 1324(b)(2) of title 31, United States Code, is amended by striking “or” before “enacted” and by inserting before the period at the end “, or from section 35 of such Code”.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 35 and inserting the following:

“Sec. 35. Certified teacher credit.

“Sec. 36. Overpayments of tax.”

(3) The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 139 and inserting the following new items:

“Sec. 139. Certain amounts received by certified teachers.

“Sec. 140. Cross references to other Acts.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

HATCH (AND OTHERS) AMENDMENT NO. 3823

Mr. HATCH (for himself, Mr. ROBB, and Mr. KENNEDY) proposed an amendment to the bill, H.R. 8, supra; as follows:

At the end, add the following:

TITLE VI—PERMANENT EXTENSION OF RESEARCH CREDIT

SEC. 601. PERMANENT EXTENSION OF RESEARCH CREDIT.

(a) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(b) CONFORMING AMENDMENT.—Paragraph (1) of section 45C(b) is amended by striking subparagraph (D).

GRAHAM (AND OTHERS) AMENDMENT NO. 3824

(Ordered to lie on the table.)

Mr. GRAHAM (for himself, Mr. KENNEDY, Mr. ROBB, Mr. BRYAN, Mrs. LINCOLN, Mr. ROCKEFELLER, Mr. DASCHLE, Mr. WELLSTONE, Mr. KERRY, and Mr. DORGAN) submitted an amendment intended to be proposed by them to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

SECTION 1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the “Estate Tax Relief Act of 2000”.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

"In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	\$1,000,000
2006 and 2007	\$1,125,000
2008	\$1,500,000
2009 or thereafter	\$2,000,000."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

"(2) MAXIMUM DEDUCTION.—

"(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

"(i) the applicable deduction amount, plus

"(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

"(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

"In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	\$1,375,000
2006 and 2007	\$1,625,000
2008	\$2,375,000
2009 or thereafter	\$3,375,000."

"(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

"(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

"(ii) the sum of—

"(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

"(II) the amount of any increase in such estate's unified credit under paragraph (3)(B) which was allowed to such estate."

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking "\$675,000" both places it appears and inserting "the applicable deduction amount"; and

(2) by striking "\$675,000" in the heading and inserting "APPLICABLE DEDUCTION AMOUNT".

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—ADDITIONAL BUDGET RESOURCES FOR A MEDICARE PRESCRIPTION DRUG BENEFIT PROGRAM

SEC. 201. ADDITIONAL BUDGET RESOURCES FOR A MEDICARE PRESCRIPTION DRUG BENEFIT PROGRAM.

(a) FINDINGS.—The Senate makes the following findings:

(1) Beneficiaries under the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) are the only group of insured Americans without prescription drug coverage.

(2) At any point in time, approximately 13,000,000 medicare beneficiaries are without prescription drug coverage.

(3) Over the course of a year, nearly 20,000,000 medicare beneficiaries are without prescription drug coverage for all or part of the year.

(4) The options available to medicare beneficiaries for obtaining prescription drug coverage are declining since—

(A) the number of employers providing employer-sponsored retiree coverage is declining at a dramatic rate;

(B) Medicare+Choice plans that might otherwise provide prescription drug coverage are pulling out of counties throughout the Nation; and

(C) medicare supplemental policies (medigap policies) that offer prescription drug coverage are so prohibitively expensive that only 8 percent of medicare beneficiaries have the means to purchase such policies.

(5) An elderly individual without prescription drug coverage living on \$12,525 a year (150 percent of the Federal poverty line), who has diabetes, hypertension, and high cholesterol, pays more than 18.3 percent of their total income on the prescription drugs most commonly prescribed to treat their medical conditions.

(6) Medicare beneficiaries should never have to make the choice between having a roof over their head, having food in their mouth, or having necessary prescription drugs.

(7) Congress must provide medicare beneficiaries with a meaningful medicare prescription drug benefit that—

(A) is universal and affordable;

(B) guarantees stable coverage for medicare beneficiaries receiving benefits through the original fee-for-service program or through enrollment in a Medicare+Choice plan; and

(C) provides real low-income and stop-loss protections.

(8) Meaningful prescription drug coverage includes stop-loss protection above \$4,000 of out-of-pocket expenses for prescription drugs.

(9) In March 2000, the Congressional Budget Office estimated the on-budget surplus for the 5-year period of fiscal year 2001 through fiscal year 2005 to be \$148,000,000,000, assuming that discretionary spending was allowed to increase with inflation.

(10) Relying on the March 2000 estimate of the Congressional Budget Office, on April 12, 2000, Congress passed the concurrent resolution on the budget for fiscal year 2001 which allocated \$40,000,000,000 of the estimated on-budget surplus for the 5-year period described in paragraph (9) to provide a prescription drug benefit for medicare beneficiaries.

(11) Forty billion dollars over 5 years cannot ensure access to a meaningful medicare prescription drug benefit that—

(A) is universal and affordable;

(B) guarantees stable coverage for medicare beneficiaries receiving benefits through the original fee-for-service program or through enrollment in a Medicare+Choice plan; and

(C) provides real low-income and stop-loss protections.

(12) Congress should not be bound to an arbitrarily low and inadequate allocation for providing a medicare prescription drug benefit when the estimated on-budget surplus for the 5-year period described in paragraph (9) has increased dramatically since March 2000.

(13) The Office of Management and Budget recently has revised its estimates for the on-budget surplus for the 5-year period described in paragraph (9) and now estimates that the on-budget surplus will be \$360,000,000,000 for such period.

(14) The Congressional Budget Office will issue its revised budget estimates in the next few days and those estimates are widely expected to reflect a significant increase in the on-budget surplus for the 5-year period described in paragraph (9) as compared to the on-budget surplus that was estimated for such period in March 2000.

(b) 2001 BUDGET RESOLUTION AMENDMENT.—Section 213(b) of H. Con. Res. 290 (106th Congress) is amended to read as follows:

"(b) ADJUSTMENTS.—The chairman of the Committee on the Budget of the House or Senate, as applicable—

"(1) shall revise committee allocations and other appropriate budgetary levels and limits to accommodate legislation described in section 215(a) which improves access to prescription drugs for Medicare beneficiaries in an additional amount not to exceed \$40,000,000,000 or the difference between the on-budget surpluses in the reports referred to in subsection (a), whichever is less; and

"(2) may, after the adjustment in paragraph (1), make the following adjustments in an amount not to exceed the difference between the on-budget surpluses in the reports referred to in subsection (a) minus the adjustment made pursuant to paragraph (1):

"(A) Reduce the on-budget revenue aggregate by that amount for such fiscal year.

"(B) Adjust the instruction in section 103 or 104 to—

"(i) increase the reduction in revenues by that amount for fiscal year 2001;

"(ii) increase the reduction in revenues by the sum of the amounts for the period of fiscal years 2001 through 2005; and

"(iii) in the House only, increase the amount of debt reduction by that amount for fiscal year 2001.

"(C) Adjust such other levels in this resolution, as appropriate and the Senate pay-as-you-go scorecard."

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the "Estate Tax Relief Act of 2000".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

"In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	\$1,000,000
2006 and 2007	\$1,125,000
2008	\$1,500,000
2009 or thereafter	\$2,000,000."

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) **IN GENERAL.**—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

“(2) **MAXIMUM DEDUCTION.**—

“(A) **IN GENERAL.**—The deduction allowed by this section shall not exceed the sum of—

“(i) the applicable deduction amount, plus

“(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

“(B) **APPLICABLE DEDUCTION AMOUNT.**—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	\$1,375,000
2006 and 2007	\$1,625,000
2008	\$2,375,000
2009 or thereafter	\$3,375,000.

“(C) **APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.**—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

“(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

“(ii) the sum of—

“(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

“(II) the amount of any increase in such estate's unified credit under paragraph (3)(B) which was allowed to such estate.”

(b) **CONFORMING AMENDMENTS.**—Section 2057(a)(3)(B) is amended—

(1) by striking “\$675,000” both places it appears and inserting “the applicable deduction amount”, and

(2) by striking “\$675,000” in the heading and inserting “APPLICABLE DEDUCTION AMOUNT”.

(c) **EFFECTIVE DATE.**—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—HEALTH PROVISIONS

SEC. 201. LONG-TERM CARE TAX CREDIT.

(a) **ALLOWANCE OF CREDIT.**—

(1) **IN GENERAL.**—Section 24(a) (relating to allowance of child tax credit) is amended to read as follows:

“(a) **ALLOWANCE OF CREDIT.**—

“(1) **IN GENERAL.**—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

“(A) \$500 multiplied by the number of qualifying children of the taxpayer, plus

“(B) the applicable dollar amount multiplied by the number of applicable individuals with respect to whom the taxpayer is an eligible caregiver for the taxable year.

“(2) **APPLICABLE DOLLAR AMOUNT.**—For purposes of paragraph (1)(B), the applicable dollar amount for taxable years beginning in any calendar year shall be determined in accordance with the following table:

Applicable Calendar year:	Dollar amount:
2001	\$1,000
2002	\$1,500
2003	\$2,000
2004	\$2,500
2005 and thereafter	\$3,000.”

(2) **ADDITIONAL CREDIT FOR TAXPAYER WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.**—So much of section 24(d) as precedes paragraph (1)(A) thereof is amended to read as follows:

“(d) **ADDITIONAL CREDIT FOR TAXPAYERS WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.**—

“(1) **IN GENERAL.**—If the sum of the number of qualifying children of the taxpayer and the number of applicable individuals with respect to which the taxpayer is an eligible caregiver is 3 or more for any taxable year, the aggregate credits allowed under subpart C shall be increased by the lesser of—

(3) **CONFORMING AMENDMENTS.**—

(A) The heading for section 32(n) is amended by striking “CHILD” and inserting “FAMILY CARE”.

(B) The heading for section 24 is amended to read as follows:

“**SEC. 24. FAMILY CARE CREDIT.**”

(C) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 24 and inserting the following new item:

“Sec. 24. Family care credit.”

(b) **DEFINITIONS.**—Section 24(c) (defining qualifying child) is amended to read as follows:

“(c) **DEFINITIONS.**—For purposes of this section—

“(1) **QUALIFYING CHILD.**—

“(A) **IN GENERAL.**—The term ‘qualifying child’ means any individual if—

“(i) the taxpayer is allowed a deduction under section 151 with respect to such individual for the taxable year,

“(ii) such individual has not attained the age of 17 as of the close of the calendar year in which the taxable year of the taxpayer begins, and

“(iii) such individual bears a relationship to the taxpayer described in section 32(c)(3)(B).

“(B) **EXCEPTION FOR CERTAIN NONCITIZENS.**—The term ‘qualifying child’ shall not include any individual who would not be a dependent if the first sentence of section 152(b)(3) were applied without regard to all that follows ‘resident of the United States’.

“(2) **APPLICABLE INDIVIDUAL.**—

“(A) **IN GENERAL.**—The term ‘applicable individual’ means, with respect to any taxable year, any individual who has been certified, before the due date for filing the return of tax for the taxable year (without extensions), by a physician (as defined in section 1861(r)(1) of the Social Security Act) as being an individual with long-term care needs described in subparagraph (B) for a period—

“(i) which is at least 180 consecutive days, and

“(ii) a portion of which occurs within the taxable year.

Such term shall not include any individual otherwise meeting the requirements of the preceding sentence unless within the 39½ month period ending on such due date (or such other period as the Secretary prescribes) a physician (as so defined) has certified that such individual meets such requirements.

“(B) **INDIVIDUALS WITH LONG-TERM CARE NEEDS.**—An individual is described in this subparagraph if the individual meets any of the following requirements:

“(i) The individual is at least 6 years of age and—

“(I) is unable to perform (without substantial assistance from another individual) at least 3 activities of daily living (as defined in section 7702B(c)(2)(B)) due to a loss of functional capacity, or

“(II) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive im-

pairment and is unable to perform at least 1 activity of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.

“(ii) The individual is at least 2 but not 6 years of age and is unable due to a loss of functional capacity to perform (without substantial assistance from another individual) at least 2 of the following activities: eating, transferring, or mobility.

“(iii) The individual is under 2 years of age and requires specific durable medical equipment by reason of a severe health condition or requires a skilled practitioner trained to address the individual's condition to be available if the individual's parents or guardians are absent.

“(3) **ELIGIBLE CAREGIVER.**—

“(A) **IN GENERAL.**—A taxpayer shall be treated as an eligible caregiver for any taxable year with respect to the following individuals:

“(i) The taxpayer.

“(ii) The taxpayer's spouse.

“(iii) An individual with respect to whom the taxpayer is allowed a deduction under section 151 for the taxable year.

“(iv) An individual who would be described in clause (iii) for the taxable year if section 151(c)(1)(A) were applied by substituting for the exemption amount an amount equal to the sum of the exemption amount, the standard deduction under section 63(c)(2)(C), and any additional standard deduction under section 63(c)(3) which would be applicable to the individual if clause (iii) applied.

“(v) An individual who would be described in clause (iii) for the taxable year if—

“(I) the requirements of clause (iv) are met with respect to the individual, and

“(II) the requirements of subparagraph (B) are met with respect to the individual in lieu of the support test of section 152(a).

“(B) **RESIDENCY TEST.**—The requirements of this subparagraph are met if an individual has as his principal place of abode the home of the taxpayer and—

“(i) in the case of an individual who is an ancestor or descendant of the taxpayer or the taxpayer's spouse, is a member of the taxpayer's household for over half the taxable year, or

“(ii) in the case of any other individual, is a member of the taxpayer's household for the entire taxable year.

“(C) **SPECIAL RULES WHERE MORE THAN 1 ELIGIBLE CAREGIVER.**—

“(i) **IN GENERAL.**—If more than 1 individual is an eligible caregiver with respect to the same applicable individual for taxable years ending with or within the same calendar year, a taxpayer shall be treated as the eligible caregiver if each such individual (other than the taxpayer) files a written declaration (in such form and manner as the Secretary may prescribe) that such individual will not claim such applicable individual for the credit under this section.

“(ii) **NO AGREEMENT.**—If each individual required under clause (i) to file a written declaration under clause (i) does not do so, the individual with the highest modified adjusted gross income (as defined in section 32(c)(5)) shall be treated as the eligible caregiver.

“(iii) **MARRIED INDIVIDUALS FILING SEPARATELY.**—In the case of married individuals filing separately, the determination under this subparagraph as to whether the husband or wife is the eligible caregiver shall be made under the rules of clause (ii) (whether or not one of them has filed a written declaration under clause (i)).”

(c) **IDENTIFICATION REQUIREMENTS.**—

(1) IN GENERAL.—Section 24(e) is amended by adding at the end the following new sentence: "No credit shall be allowed under this section to a taxpayer with respect to any applicable individual unless the taxpayer includes the name and taxpayer identification number of such individual, and the identification number of the physician certifying such individual, on the return of tax for the taxable year."

(2) ASSESSMENT.—Section 6213(g)(2)(I) of such Code is amended—

(A) by inserting "or physician identification" after "correct TIN", and

(B) by striking "child" and inserting "family care".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 202. FULL DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Section 162(l)(1) (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

"(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer's spouse, and dependents."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

WELLSTONE (AND OTHERS) AMENDMENT NO. 3826

(Ordered to lie on the table.)

Mr. WELLSTONE (for himself, Mr. DODD, Mr. LANDRIEU, and Mr. KOHL), submitted an amendment intended to be proposed by them to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the "Estate Tax Relief Act of 2000".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

"In the case of estates of decedents dying, and gifts made, during:

The applicable exclusion amount is:

2001, 2002, 2003, 2004, and 2005	\$1,000,000
2006 and 2007	\$1,125,000
2008	\$1,500,000
2009 or thereafter	\$2,000,000."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

"(2) MAXIMUM DEDUCTION.—

"(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

"(i) the applicable deduction amount, plus

"(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

"(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

"In the case of estates of decedents dying during:

The applicable deduction amount is:

2001, 2002, 2003, 2004, and 2005	\$1,375,000
2006 and 2007	\$1,625,000
2008	\$2,375,000
2009 or thereafter	\$3,375,000."

"(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

"(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

"(ii) the sum of—

"(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

"(II) the amount of any increase in such estate's unified credit under paragraph (3)(B) which was allowed to such estate."

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking "\$875,000" both places it appears and inserting "the applicable deduction amount", and

(2) by striking "\$875,000" in the heading and inserting "APPLICABLE DEDUCTION AMOUNT".

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—DEPENDENT CARE TAX CREDIT SEC. 201. EXPANSION OF DEPENDENT CARE TAX CREDIT.

(a) IN GENERAL.—Paragraph (2) of section 21(a) (relating to expenses for household and dependent care services necessary for gainful employment) is amended to read as follows:

"(2) APPLICABLE PERCENTAGE DEFINED.—For purposes of paragraph (1), the term 'applicable percentage' means 50 percent (40 percent for taxable years beginning after December 31, 2002, and before January 1, 2005) reduced (but not below 20 percent) by 1 percentage point for each \$1,000 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds \$30,000."

(b) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Section 21(e) (relating to special rules) is amended by adding at the end the following:

"(11) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Notwithstanding subsection (d), in the case of any taxpayer with one or more qualifying individuals described in subsection (b)(1)(A) under the age of 1 at any time during the taxable year, such taxpayer shall be deemed to have employment-related expenses with respect to not more than 2 of such qualifying individuals in an amount equal to the greater of—

"(A) the amount of employment-related expenses incurred for such qualifying individuals for the taxable year (determined under this section without regard to this paragraph), or

"(B) \$41.67 for each month in such taxable year during which each such qualifying individual is under the age of 1."

(c) INFLATION ADJUSTMENT OF DOLLAR AMOUNTS.—

(1) Section 21 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

"(f) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2001, the \$30,000 amount contained in subsection (a), the \$2,400 amount in subsection (c), and the \$41.67 amount in subsection (e)(11) shall be increased by an amount equal to—

"(1) such dollar amount, multiplied by

"(2) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

If the increase determined under the preceding sentence is not a multiple of \$50 (\$5 in the case of the amount in subsection (e)(11)), such amount shall be rounded to the next lowest multiple thereof."

(2) Paragraph (2) of section 21(c) is amended by striking "\$4,800" and inserting "twice the dollar amount applicable under paragraph (1)".

(3) Paragraph (2) of section 21(d) is amended by striking "less than—" and all that follows through the end of the first sentence and inserting "less than 1/2 of the amount which applies under subsection (c) to the taxpayer for the taxable year."

(d) CREDIT ALLOWED BASED ON RESIDENCY IN CERTAIN CASES.—Subsection (e) of section 21 is amended by adding at the end the following new paragraph:

"(12) CREDIT ALLOWED BASED ON RESIDENCY IN CERTAIN CASES.—In the case of a taxpayer—

"(A) who does not satisfy the household maintenance test of subsection (a) for any period, but

"(B) whose principal place of abode for such period is also the principal place of abode of any qualifying individual, then such taxpayer shall be treated as satisfying such test for such period but the amount of credit allowable under this section with respect to such individual shall be determined by allowing only 1/2 of the limitation under subsection (c) for each full month that the requirement of subparagraph (B) is met."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 202. DEPENDENT CARE TAX CREDIT MADE REFUNDABLE.

(a) IN GENERAL.—Part IV of subchapter A of chapter 1 (relating to credits against tax) is amended—

(1) by redesignating section 35 as section 36, and

(2) by redesignating section 21 as section 35.

(b) ADVANCE PAYMENT OF CREDIT.—Chapter 25 (relating to general provisions relating to employment taxes) is amended by inserting after section 3507 the following:

"SEC. 3507A. ADVANCE PAYMENT OF DEPENDENT CARE CREDIT.

"(a) GENERAL RULE.—Except as otherwise provided in this section, every employer making payment of wages with respect to whom a dependent care eligibility certificate is in effect shall, at the time of paying such wages, make an additional payment equal to such employee's dependent care advance amount.

"(b) DEPENDENT CARE ELIGIBILITY CERTIFICATE.—For purposes of this title, a dependent care eligibility certificate is a statement furnished by an employee to the employer which—

"(1) certifies that the employee will be eligible to receive the credit provided by section 35 for the taxable year,

"(2) certifies that the employee reasonably expects to be an applicable taxpayer for the taxable year,

"(3) certifies that the employee does not have a dependent care eligibility certificate in effect for the calendar year with respect to the payment of wages by another employer,

"(4) states whether or not the employee's spouse has a dependent care eligibility certificate in effect,

"(5) states the number of qualifying individuals in the household maintained by the employee, and

"(6) estimates the amount of employment-related expenses for the calendar year.

"(c) DEPENDENT CARE ADVANCE AMOUNT.—

"(1) IN GENERAL.—For purposes of this title, the term 'dependent care advance amount' means, with respect to any payroll period, the amount determined—

"(A) on the basis of the employee's wages from the employer for such period,

"(B) on the basis of the employee's estimated employment-related expenses included in the dependent care eligibility certificate, and

"(C) in accordance with tables provided by the Secretary.

"(2) ADVANCE AMOUNT TABLES.—The tables referred to in paragraph (1)(C) shall be similar in form to the tables prescribed under section 3402 and, to the maximum extent feasible, shall be coordinated with such tables and the tables prescribed under section 3507(c).

"(d) OTHER RULES.—For purposes of this section, rules similar to the rules of subsections (d) and (e) of section 3507 shall apply.

"(e) DEFINITIONS.—For purposes of this section, terms used in this section which are defined in section 35 shall have the respective meanings given such terms by section 35."

(c) CONFORMING AMENDMENTS.—

(1) Section 35(a)(1), as redesignated by paragraph (1), is amended by striking "chapter" and inserting "subtitle".

(2) Section 35(e), as so redesignated and amended by subsection (c), is amended by adding at the end the following:

"(13) COORDINATION WITH ADVANCE PAYMENTS AND MINIMUM TAX.—Rules similar to the rules of subsections (g) and (h) of section 32 shall apply for purposes of this section."

(3) Sections 23(f)(1) and 129(a)(2)(C) are each amended by striking "section 21(e)" and inserting "section 35(e)".

(4) Section 129(b)(2) is amended by striking "section 21(d)(2)" and inserting "section 35(d)(2)".

(5) Section 129(e)(1) is amended by striking "section 21(b)(2)" and inserting "section 35(b)(2)".

(6) Section 213(e) is amended by striking "section 21" and inserting "section 35".

(7) Section 995(f)(2)(C) is amended by striking "and 34" and inserting "34, and 35".

(8) Section 6211(b)(4)(A) is amended by striking "and 34" and inserting "34, and 35".

(9) Section 6213(g)(2)(H) is amended by striking "section 21" and inserting "section 35".

(10) Section 6213(g)(2)(L) is amended by striking "section 21, 24, or 32" and inserting "section 24, 32, or 35".

(11) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 35 and inserting the following:

"Sec. 35. Dependent care services.

"Sec. 36. Overpayments of tax."

(12) The table of sections for subpart A of such part IV is amended by striking the item relating to section 21.

(13) The table of sections for chapter 25 is amended by adding after the item relating to section 3507 the following:

"Sec. 3507A. Advance payment of dependent care credit."

(14) Section 1324(b)(2) of title 31, United States Code, is amended by inserting before the period "or enacted by the Death Tax Elimination Act of 2000".

(d) EFFECTIVE DATE.—The amendments made by this section apply to taxable years beginning after December 31, 2002.

TITLE III—EXPANSION OF ADOPTION CREDIT

SEC. 301. EXPANSION OF ADOPTION CREDIT.

(a) SPECIAL NEEDS ADOPTION.—

(1) CREDIT AMOUNT.—Paragraph (1) of section 23(a) (relating to allowance of credit) is amended to read as follows:

"(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter—

"(A) in the case of a special needs adoption, \$10,000, or

"(B) in the case of any other adoption, the amount of the qualified adoption expenses paid or incurred by the taxpayer."

(2) YEAR CREDIT ALLOWED.—Section 23(a)(2) (relating to year credit allowed) is amended by adding at the end the following new flush sentence:

"In the case of a special needs adoption, the credit allowed under paragraph (1) shall be allowed for the taxable year in which the adoption becomes final."

(3) DOLLAR LIMITATION.—Section 23(b)(1) is amended—

(A) by striking "subsection (a)" and inserting "subsection (a)(1)(B)", and

(B) by striking "\$6,000, in the case of a child with special needs)".

(4) DEFINITION OF SPECIAL NEEDS ADOPTION.—Section 23(d) (relating to definitions) is amended by adding at the end the following new paragraph:

"(4) SPECIAL NEEDS ADOPTION.—The term 'special needs adoption' means the final adoption of an individual during the taxable year who is an eligible child and who is a child with special needs."

(5) DEFINITION OF CHILD WITH SPECIAL NEEDS.—Section 23(d)(3) (defining child with special needs) is amended to read as follows:

"(3) CHILD WITH SPECIAL NEEDS.—The term 'child with special needs' means any child if a State has determined that the child's ethnic background, age, membership in a minority or sibling groups, medical condition or physical impairment, or emotional handicap makes some form of adoption assistance necessary."

(b) INCREASE IN INCOME LIMITATIONS.—Section 23(b)(2) (relating to income limitation) is amended—

(1) in subparagraph (A)—

(A) by striking "\$75,000" and inserting "\$63,550 (\$105,950 in the case of a joint return)", and

(B) by striking "\$40,000" and inserting "the applicable amount", and

(2) by adding at the end the following new subparagraph:

"(C) APPLICABLE AMOUNT.—For purposes of subparagraph (A), the applicable amount, with respect to any taxpayer, for the taxable year shall be an amount equal to the excess of—

"(i) the maximum taxable income amount for the 31 percent bracket under the table contained in section 1 relating to such taxpayer and in effect for the taxable year, over

"(ii) the dollar amount in effect with respect to the taxpayer for the taxable year under subparagraph (A)(i).

"(D) COST-OF-LIVING ADJUSTMENT.—

"(i) IN GENERAL.—In the case of a taxable year beginning after 2001, each dollar

amount under subparagraph (A)(i) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

"(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of \$1,000, such amount shall be rounded to the next lower multiple of \$1,000."

(c) ADOPTION CREDIT MADE PERMANENT.—Subclauses (A) and (B) of section 23(d)(2) (defining eligible child) are amended to read as follows:

"(A) who has not attained age 18, or

"(B) who is physically or mentally incapable of caring for himself."

(d) CONFORMING AMENDMENTS.—

(1) Section 23(a)(2) is amended by striking "(1)" and inserting "(1)(B)".

(2) Section 23(b)(3) is amended by striking "(a)" each place it appears and inserting "(a)(1)(B)".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

TITLE IV—INCENTIVES FOR EMPLOYER-PROVIDED CHILD CARE

SEC. 401. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

"SEC. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.

"(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to the sum of—

"(1) 25 percent of the qualified child care expenditures, and

"(2) 10 percent of the qualified child care resource and referral expenditures, of the taxpayer for such taxable year.

"(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed \$150,000.

"(c) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED CHILD CARE EXPENDITURE.—

"(A) IN GENERAL.—The term 'qualified child care expenditure' means any amount paid or incurred—

"(i) to acquire, construct, rehabilitate, or expand property—

"(I) which is to be used as part of an eligible qualified child care facility of the taxpayer,

"(II) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

"(III) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer,

"(ii) for the operating costs of an eligible qualified child care facility of the taxpayer, including costs related to the training of employees of the child care facility, to scholarship programs, to the providing of differential compensation to employees based on level of child care training, and to expenses associated with achieving accreditation, or

"(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.

"(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified child care expenditure' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

“(C) NONDISCRIMINATION.—The term ‘qualified child care expenditure’ shall not include any amount expended in relation to any child care services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

“(2) QUALIFIED CHILD CARE FACILITY.—

“(A) IN GENERAL.—The term ‘qualified child care facility’ means a facility—

“(i) the principal use of which is to provide child care assistance, and

“(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including, but not limited to, the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 121) of the operator of the facility.

“(B) ELIGIBLE QUALIFIED CHILD CARE FACILITY.—A qualified child care facility shall be treated as an eligible qualified child care facility with respect to the taxpayer if—

“(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

“(ii) the facility is not the principal trade or business of the taxpayer, and

“(iii) at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

“(C) APPLICATION OF SUBPARAGRAPH (B).—In the case of a new facility, the facility shall be treated as meeting the requirement of subparagraph (B)(iii) if not later than 2 years after placing such facility in service at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

“(3) QUALIFIED CHILD CARE RESOURCE AND REFERRAL EXPENDITURE.—

“(A) IN GENERAL.—The term ‘qualified child care resource and referral expenditure’ means any amount paid or incurred under a contract to provide child care resource and referral services to employees of the taxpayer.

“(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term ‘qualified child care resource and referral expenditure’ shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

“(C) NONDISCRIMINATION.—The term ‘qualified child care resource and referral expenditure’ shall not include any amount expended in relation to any child care resource and referral services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

“(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

“(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any eligible qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

“(A) the applicable recapture percentage, and

“(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

“(2) APPLICABLE RECAPTURE PERCENTAGE.—

“(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

“If the recapture event occurs in:

Year 1	100
Year 2	80
Year 3	60
Year 4	40
Year 5	20
Years 6 and thereafter	0.

“(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the eligible qualified child care facility is placed in service by the taxpayer.

“(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term ‘recapture event’ means—

“(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as an eligible qualified child care facility.

“(B) CHANGE IN OWNERSHIP.—

“(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer’s interest in an eligible qualified child care facility with respect to which the credit described in subsection (a) was allowable.

“(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

“(4) SPECIAL RULES.—

“(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

“(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

“(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

“(e) SPECIAL RULES.—For purposes of this section—

“(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

“(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

“(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

“(f) NO DOUBLE BENEFIT.—

“(1) REDUCTION IN BASIS.—For purposes of this subtitle—

“(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

“(B) CERTAIN DISPOSITIONS.—If during any taxable year there is a recapture amount determined with respect to any property the basis of which was reduced under subpara-

The applicable recapture percentage is:

100
80
60
40
20
0.

graph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term ‘recapture amount’ means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

“(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.”

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) is amended—

(A) by striking out “plus” at the end of paragraph (11),

(B) by striking out the period at the end of paragraph (12), and inserting a comma and “plus”, and

(C) by adding at the end the following new paragraph:

“(13) the employer-provided child care credit determined under section 45D.”

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 45D. Employer-provided child care credit.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

ABRAHAM (AND OTHERS) AMENDMENT NO. 3827

Mr. ABRAHAM (for himself, Mr. FITZGERALD, Mrs. HUTCHISON, and Mr. GRAMS) proposed an amendment to the bill, H.R. 8, supra; as follows:

At the end, add the following:

TITLE VI—TEMPORARY FEDERAL FUELS TAX REDUCTION

SEC. 601. SHORT TITLE.

This title may be cited as the “Motorists Relief Act of 2000”.

SEC. 602. TEMPORARY REDUCTION IN HIGHWAY FUEL TAXES ON GASOLINE, DIESEL FUEL, KEROSENE, AND SPECIAL FUELS TO ZERO.

(a) IN GENERAL.—Section 4081 of the Internal Revenue Code of 1986 (relating to imposition of tax on gasoline, diesel fuel, and kerosene) is amended by adding at the end the following new subsection:

“(f) TEMPORARY REDUCTION IN TAXES ON GASOLINE, DIESEL FUEL, KEROSENE, AND SPECIAL FUELS.—

“(1) HOLDING HARMLESS HIGHWAY TRUST FUND AND APPORTIONMENTS.—In determining the amounts to be appropriated or transferred to the Highway Trust Fund under section 9503 an amount equal to the reduction in revenues to the Treasury by reason of a reduction in any rate of tax under paragraph (3) shall be treated for purposes of chapter 98 as taxes received in the Treasury at such rate. Amounts appropriated or transferred by reason of the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to the Highway Trust Fund had this subsection not been enacted. Nothing in this subsection may be construed as authorizing a reduction in the apportionments of such Trust Fund to the States as a result of the temporary reduction in rates of tax under paragraph (3), except as otherwise provided by law.

“(2) PROTECTING SOCIAL SECURITY TRUST FUND.—If the Secretary, after consultation with the Director of the Office of Management and Budget, and based on the most recent available estimate of the Federal on-

budget surplus for fiscal years 2000 and 2001, determines that such reduction would result in an aggregate reduction in revenues to the Treasury exceeding such surplus during the remainder of the applicable period, the Secretary shall modify such reduction such that each rate of tax referred to in paragraph (4) is reduced in a pro rata manner and such aggregate reduction does not exceed such surplus.

“(3) TEMPORARY REDUCTION IN RATES OF CERTAIN TAXES.—During the applicable period, each rate of tax referred to in paragraph (4) shall be reduced to zero.

“(4) RATES OF TAX.—The rates of tax referred to in this paragraph are the rates of tax otherwise applicable under—

“(A) clauses (i) and (iii) of subsection (a)(2)(A) (relating to gasoline, diesel fuel, and kerosene), and

“(B) paragraphs (1), (2), and (3) of section 4041(a) (relating to diesel fuel and special fuels) and section 4041(m) (relating to certain alcohol fuels) with respect to fuel sold for use or used in a highway vehicle.

“(5) SPECIAL REDUCTION RULES.—In the case of a reduction under paragraph (3)—

“(A) subsection (c) shall be applied without regard to paragraph (6) thereof,

“(B) section 40(e)(1) shall be applied without regard to subparagraph (B) thereof,

“(C) section 4041(d)(1) shall be applied by disregarding ‘if tax is imposed by subsection (a)(1) or (2) on such sale or use’, and

“(D) section 6427(b) shall be applied without regard to paragraph (2) thereof.

“(6) APPLICABLE PERIOD.—For purposes of this subsection, the term ‘applicable period’ means the 150-day period beginning after the date of the enactment of the Motorists Relief Act of 2000.

“(7) PREEMPTION OF STATE LAW.—No State tax may be increased by reason of any suspension of tax under this subsection.

“(8) RETURN REQUIREMENTS CONTINUE IN EFFECT.—Requirements for filing returns relating to any tax reduced under this subsection, and penalties for failing to file such returns, shall continue in effect as if this subsection had not been enacted. Such returns shall identify the amount of tax that would have been paid but for the enactment of this subsection.”

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 603. FLOOR STOCK REFUNDS.

(a) IN GENERAL.—If—

(1) before the tax reduction date, tax has been imposed under section 4041 or 4081 of the Internal Revenue Code of 1986 on any liquid, and

(2) on such date such liquid is held by a dealer and has not been used and is intended for sale,

there shall be credited or refunded (without interest) to the person who paid such tax (hereafter in this section referred to as the “taxpayer”) an amount equal to the excess of the tax paid by the taxpayer over the amount of such tax which would be imposed on such liquid had the taxable event occurred on the tax reduction date.

(b) TIME FOR FILING CLAIMS.—No credit or refund shall be allowed or made under this section unless—

(1) claim therefor is filed with the Secretary of the Treasury before the date which is 6 months after the tax reduction date, and

(2) in any case where liquid is held by a dealer (other than the taxpayer) on the tax reduction date—

(A) the dealer submits a request for refund or credit to the taxpayer before the date which is 3 months after the tax reduction date, and

(B) the taxpayer files with the Secretary—

(i) a certification that the taxpayer has given, subsequent to receipt of the request for refund or credit from such dealer under subparagraph (A), a credit to such dealer with respect to such liquid against the dealer's first purchase of liquid from the taxpayer, and

(ii) a certification by such dealer that such dealer has given, subsequent to the tax suspension date, a credit to a succeeding dealer (if any) with respect to such liquid against the succeeding dealer's first purchase of liquid from such dealer.

(c) REASONABLENESS OF CLAIMS CERTIFIED.—Any certification made under subsection (b)(1)(B) shall include an additional certification that the claim for credit was reasonably based on the taxpayer's or dealer's past business relationship with the succeeding dealer.

(d) DEFINITIONS.—For purposes of this section—

(1) the terms “dealer” and “held by a dealer” have the respective meanings given to such terms by section 6412 of such Code; except that the term “dealer” includes a producer, and

(2) the term “tax reduction date” means the day after the date of the enactment of this Act.

(e) CERTAIN RULES TO APPLY.—Rules similar to the rules of subsections (b) and (c) of section 6412 of such Code shall apply for purposes of this section.

SEC. 604. FLOOR STOCKS TAX.

(a) IMPOSITION OF TAX.—In the case of any liquid on which tax would have been imposed under section 4041 or 4081 of the Internal Revenue Code of 1986 during the applicable period but for the amendments made by this Act, and which is held on the floor stocks tax date by any person, there is hereby imposed a floor stocks tax equal to the excess of the tax which would be imposed on such liquid had the taxable event occurred on such date over the tax previously paid (if any) on such liquid.

(b) LIABILITY FOR TAX AND METHOD OF PAYMENT.—

(1) LIABILITY FOR TAX.—A person holding a liquid on the floor stocks tax date to which the tax imposed by subsection (a) applies shall be liable for such tax.

(2) METHOD OF PAYMENT.—The tax imposed by subsection (a) shall be paid in such manner as the Secretary of the Treasury shall prescribe.

(3) TIME FOR PAYMENT.—The tax imposed by subsection (a) shall be paid on or before the date which is 45 days after the floor stocks tax date.

(c) DEFINITIONS.—For purposes of this section—

(1) HELD BY A PERSON.—A liquid shall be considered as “held by a person” if title thereto has passed to such person (whether or not delivery to the person has been made).

(2) FLOOR STOCKS TAX DATE.—The term “floor stocks tax date” means the day after the date which is 150 days after the date of the enactment of this Act.

(3) APPLICABLE PERIOD.—The term “applicable period” means the 150-day period beginning after the date of the enactment of this Act.

(d) EXCEPTION FOR EXEMPT USES.—The tax imposed by subsection (a) shall not apply to any liquid held by any person exclusively for any use to the extent a credit or refund of the tax referred to in section 4081(f)(4) of the Internal Revenue Code of 1986 (as added by section 602) is allowable for such use.

(e) EXCEPTION FOR CERTAIN AMOUNTS OF FUEL.—

(1) IN GENERAL.—No tax shall be imposed by subsection (a) on any liquid held on the floor stocks tax date by any person if the ag-

gregate amount of such liquid held by such person on such date does not exceed 2,000 gallons. The preceding sentence shall apply only if such person submits to the Secretary (at the time and in the manner required by the Secretary) such information as the Secretary shall require for purposes of this paragraph.

(2) EXEMPT FUEL.—For purposes of paragraph (1), there shall not be taken into account any liquid held by any person which is exempt from the tax imposed by subsection (a) by reason of subsection (d).

(3) CONTROLLED GROUPS.—For purposes of this subsection—

(A) CORPORATIONS.—

(i) IN GENERAL.—All persons treated as a controlled group shall be treated as 1 person.

(ii) CONTROLLED GROUP.—The term “controlled group” has the meaning given to such term by subsection (a) of section 1563 of such Code; except that for such purposes the phrase “more than 50 percent” shall be substituted for the phrase “at least 80 percent” each place it appears in such subsection.

(B) NONINCORPORATED PERSONS UNDER COMMON CONTROL.—Under regulations prescribed by the Secretary, principles similar to the principles of subparagraph (A) shall apply to a group of persons under common control where 1 or more of such persons is not a corporation.

(g) OTHER LAW APPLICABLE.—All provisions of law, including penalties, applicable with respect to the taxes imposed by section 4041 or 4081 of such Code shall, insofar as applicable and not inconsistent with the provisions of this subsection, apply with respect to the floor stock taxes imposed by subsection (a) to the same extent as if such taxes were imposed by such section 4041 or 4081.

SEC. 605. BENEFITS OF TAX REDUCTION SHOULD BE PASSED ON TO CONSUMERS.

(a) PASSTHROUGH TO CONSUMERS.—

(1) SENSE OF CONGRESS.—It is the sense of Congress that—

(A) consumers immediately receive the benefit of the reduction in taxes under this Act, and

(B) transportation motor fuels producers and other dealers take such actions as necessary to reduce transportation motor fuels prices to reflect such reduction, including immediate credits to customer accounts representing tax credits or refunds under 604.

(2) STUDY.—

(A) IN GENERAL.—The Comptroller General of the United States shall conduct a study of the reduction of taxes under this Act to determine whether there has been a pass-through of such reduction.

(B) REPORT.—Not later than 90 days after the date of the enactment of this Act, the Comptroller General of the United States shall report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives the results of the study conducted under subparagraph (A).

BINGAMAN (AND OTHERS) AMENDMENT NO. 3828

Mr. BINGAMAN (for himself, Mr. KENNEDY, Mrs. MURRAY, Mr. DODD, Mr. KERRY, Mr. SCHUMER, and Mr. DORGAN) proposed an amendment to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the “Estate Tax Relief Act of 2000”.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a

section or other provision of the Internal Revenue Code of 1986.

SEC. 2. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

"In the case of estates of decedents dying, and gifts made, during:

The applicable exclusion amount is:

2001, 2002, 2003, 2004, and 2005	\$1,000,000
2006 and 2007	\$1,125,000
2008	\$1,500,000
2009 or thereafter	\$2,000,000."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 3. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

"(2) MAXIMUM DEDUCTION.—

"(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

"(i) the applicable deduction amount, plus

"(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

"(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

"In the case of estates of decedents dying during:

The applicable deduction amount is:

2001, 2002, 2003, 2004, and 2005	\$1,375,000
2006 and 2007	\$1,625,000
2008	\$2,375,000
2009 or thereafter	\$3,375,000.

"(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

"(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

"(ii) the sum of—

"(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

"(II) the amount of any increase in such estate's unified credit under paragraph (3)(B) which was allowed to such estate."

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking "\$675,000" both places it appears and inserting "the applicable deduction amount", and

(2) by striking "\$675,000" in the heading and inserting "APPLICABLE DEDUCTION AMOUNT".

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 4. APPROPRIATIONS.

There are appropriated, out of any money in the Treasury not otherwise appropriated, the following amounts:

(1) \$1,750,000,000 to carry out class size reduction activities in the same manner as such activities are carried out under section 310 of the Department of Education Appropriations Act, 2000.

(2) \$2,200,000,000 to carry out title II of the Elementary and Secondary Education Act of 1965 and title II of the Higher Education Act of 1965.

(3) \$250,000,000 to carry out sections 1116 and 1117 of the Elementary and Secondary Education Act of 1965.

(4) \$1,000,000,000 to carry out part I of title X of the Elementary and Secondary Education Act of 1965.

(5) \$325,000,000 to carry out chapter 2 of subpart 2 of part A of title IV of the Higher Education Act of 1965.

(6) \$1,000,000,000 to carry out part B of the Individuals with Disabilities Education Act.

(7) \$3,000,000,000 to enable the Secretary of Education to carry out a College Completion Grant Program.

(8) \$150,000,000 to carry out part D of title I of the Elementary and Secondary Education Act of 1965.

(9) \$1,300,000,000 to carry out title XII of the Elementary and Secondary Education Act of 1965.

ROTH (AND OTHERS) AMENDMENT NO. 3829

Mr. ROTH (for himself, Mr. BREAUX, Mr. NICKLES, Mr. ROBB, Mr. MURKOWSKI, Ms. COLLINS, and Mr. BAUCUS) proposed an amendment to the bill, H.R. 8, supra; as follows:

At the end, add the following:

TITLE VI—REPEAL OF EXCISE TAX ON TELEPHONE AND OTHER COMMUNICATIONS SERVICES

SEC. 601. REPEAL OF EXCISE TAX ON TELEPHONE AND OTHER COMMUNICATIONS SERVICES.

(a) IN GENERAL.—Chapter 33 (relating to facilities and services) is amended by striking subchapter B.

(b) CONFORMING AMENDMENTS.—

(1) Section 4293 is amended by striking "chapter 32 (other than the taxes imposed by sections 4064 and 4121) and subchapter B of chapter 33," and inserting "and chapter 32 (other than the taxes imposed by sections 4064 and 4121)."

(2)(A) Paragraph (1) of section 6302(e) is amended by striking "section 4251 or".

(B) Paragraph (2) of section 6302(e) is amended by striking "imposed by—" and all that follows through "with respect to" and inserting "imposed by section 4261 or 4271 with respect to".

(C) The subsection heading for section 6302(e) is amended by striking "COMMUNICATIONS SERVICES AND".

(3) Section 6415 is amended by striking "4251, 4261, or 4271" each place it appears and inserting "4261 or 4271".

(4) Paragraph (2) of section 7871(a) is amended by inserting "or" at the end of subparagraph (B), by striking subparagraph (C), and by redesignating subparagraph (D) as subparagraph (C).

(5) The table of subchapters for chapter 33 is amended by striking the item relating to subchapter B.

(c) STUDY REGARDING CONTINUING ECONOMIC BENEFIT OF REPEAL.—

(1) STUDY.—The Comptroller General of the United States, after consultation with the Chairman of the Federal Communications Commission, shall study and identify—

(A) the extent to which the benefits of the repeal of the excise tax on telephone and other communication services under subsection (a) are passed through to individual and business consumers, and

(B) any actions taken by communication service providers or others that diminish such benefits, including increases in any regulated or unregulated communication service provider charges or increases in other Federal or State fees or taxes related to such service occurring since the date of such repeal.

(2) REPORT.—By not later than September 1, 2001, the Comptroller General of the United States shall submit a report regarding the study described in paragraph (1) to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid pursuant to bills first rendered after August 31, 2000.

PROVIDING MARRIAGE TAX RELIEF

TORRICELLI AMENDMENT NO. 3830

(Ordered to lie on the table.)

Mr. TORRICELLI submitted an amendment intended to be proposed by him to the bill (S. 2839) to amend the Internal Revenue Code of 1986 to provide marriage tax relief by adjusting the standard deduction, 15-percent and 28-percent rate brackets, and earned income credit, and for other purposes; as follows:

At the end, add the following:

SEC. . MODIFICATIONS TO DISASTER CASUALTY LOSS DEDUCTION.

(a) LOWER ADJUSTED GROSS INCOME THRESHOLD.—Paragraph (2) of section 165(h) of the Internal Revenue Code of 1986 (relating to treatment of casualty gains and losses) is amended—

(1) by striking subparagraph (A) and inserting the following:

"(A) IN GENERAL.—If the personal casualty losses for any taxable year exceed the personal casualty gains for such taxable year, such losses shall be allowed for the taxable year only to the extent of the sum of—

"(i) the amount of the personal casualty gains for the taxable year, plus

"(ii) so much of such excess attributable to losses described in subsection (i) as exceeds 5 percent of the adjusted gross income of the individual (determined without regard to any deduction allowable under subsection (c)(3))", plus

"(iii) so much of such excess attributable to losses not described in subsection (i) as exceeds 10 percent of the adjusted gross income of the individual.

For purposes of this subparagraph, personal casualty losses attributable to losses not described in subsection (i) shall be considered before such losses attributable to losses described in subsection (i).", and

(2) by striking "10 PERCENT" in the heading and inserting "PERCENTAGE".

(b) ABOVE-THE-LINE DEDUCTION.—Section 62(a) of the Internal Revenue Code of 1986 (defining adjusted gross income) is amended by inserting after paragraph (17) the following:

"(18) CERTAIN DISASTER LOSSES.—The deduction allowed by section 165(c)(3) to the extent attributable to losses described in section 165(i)."

(c) ELECTION TO TAKE DISASTER LOSS DEDUCTION FOR PRECEDING OR SUCCEEDING 2 YEARS.—Paragraph (1) of section 165(i) of the Internal Revenue Code of 1986 (relating to disaster losses) is amended—

(1) by inserting "or succeeding" after "preceding", and

(2) by inserting "OR SUCCEEDING" after "PRECEDING" in the heading.

(d) ELIMINATION OF MARRIAGE PENALTY FOR INDIVIDUALS SUFFERING CASUALTY LOSSES.—Subparagraph (B) of section 165(h)(4) of the Internal Revenue Code of 1986 (relating to special rules) is amended to read as follows:

"(B) JOINT RETURNS.—For purposes of this subsection—

"(i) IN GENERAL.—Except as provided in clause (ii), a husband and wife making a joint return for the taxable year shall be treated as 1 individual.

"(ii) ELECTION.—A husband and wife may elect to have each be treated as a single individual for purposes of applying this section. If an election is made under this clause, the adjusted gross income of each individual shall be determined on the basis of the items of income and deduction properly allocable to the individual, as determined under rules prescribed by the Secretary."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to losses sustained in taxable years beginning after December 31, 2000.

TORRICELLI AMENDMENT NO. 3834

(Ordered to lie on the table.)

Mr. TORRICELLI submitted an amendment intended to be proposed by him to the bill, S. 2839, supra; as follows:

At the end of the bill, add the following:

SEC. 7. INCREASED LEAD POISONING SCREENINGS AND TREATMENTS UNDER THE MEDICAID PROGRAM.

(a) REPORTING REQUIREMENT.—Section 1902(a)(43)(D) of the Social Security Act (42 U.S.C. 1396a(a)(43)(D)) is amended—

(1) in clause (iii), by striking "and" at the end;

(2) in clause (iv), by striking the semicolon and inserting "; and"; and

(3) by adding at the end the following:

"(v) the number of children who are under the age of 3 and enrolled in the State plan and the number of those children who have received a blood lead screening test;"

(b) MANDATORY SCREENING REQUIREMENTS.—Section 1902(a) of the Social Security Act (42 U.S.C. 1396a(a)) is amended—

(1) in paragraph (64), by striking "and" at the end;

(2) in paragraph (65), by striking the period and inserting "; and"; and

(3) by inserting after paragraph (65) the following:

"(66) provide that each contract entered into between the State and an entity (including a health insuring organization and a medicaid managed care organization) that is responsible for the provision (directly or through arrangements with providers of services) of medical assistance under the State plan shall provide for—

"(A) compliance with mandatory blood lead screening requirements that are consistent with prevailing guidelines of the Centers for Disease Control and Prevention for such screening; and

"(B) coverage of qualified lead treatment services described in section 1905(x) including diagnosis, treatment, and follow-up furnished for children with elevated blood lead levels in accordance with prevailing guidelines of the Centers for Disease Control and Prevention."

(c) REIMBURSEMENT FOR TREATMENT OF CHILDREN WITH ELEVATED BLOOD LEAD LEVELS.—Section 1905 of the Social Security Act (42 U.S.C. 1396d) is amended—

(1) in subsection (a)—

(A) in paragraph (26), by striking "and" at the end;

(B) by redesignating paragraph (27) as paragraph (28); and

(C) by inserting after paragraph (26) the following:

"(27) qualified lead treatment services (as defined in subsection (x)); and"; and

(2) by adding at the end the following:

"(x) (I) In this subsection:

"(A) The term 'qualified lead treatment services' means the following:

"(i) Lead-related medical management, as defined in subparagraph (B).

"(ii) Lead-related case management, as defined in subparagraph (C), for a child described in paragraph (2).

"(iii) Lead-related anticipatory guidance, as defined in subparagraph (D), provided as part of—

"(I) prenatal services;

"(II) early and periodic screening, diagnostic, and treatment services (EPSDT) services described in subsection (r) and available under subsection (a)(4)(B) (including as described and available under implementing regulations and guidelines) to individuals enrolled in the State plan under this title who have not attained age 21; and

"(III) routine pediatric preventive services.

"(B) The term 'lead-related medical management' means the provision and coordination of the diagnostic, treatment, and follow-up services provided for a child diagnosed with an elevated blood lead level (EBLL) that includes—

"(i) a clinical assessment, including a physical examination and medically indicated tests (in addition to diagnostic blood lead level tests) and other diagnostic procedures to determine the child's developmental, neurological, nutritional, and hearing status, and the extent, duration, and possible source of the child's exposure to lead;

"(ii) repeat blood lead level tests furnished when medically indicated for purposes of monitoring the blood lead concentrations in the child;

"(iii) pharmaceutical services, including chelation agents and other drugs, vitamins, and minerals prescribed for treatment of an EBLL;

"(iv) medically indicated inpatient services including pediatric intensive care and emergency services;

"(v) medical nutrition therapy when medically indicated by a nutritional assessment, that shall be furnished by a dietitian or other nutrition specialist who is authorized to provide such services under State law;

"(vi) referral—

"(I) when indicated by a nutritional assessment, to the State agency or contractor administering the program of assistance under the special supplemental food program for women, infants and children (WIC) under section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786) and coordination of clinical management with that program; and

"(II) when indicated by a clinical or developmental assessment, to the State agency responsible for early intervention and special education programs under the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.); and

"(vii) environmental investigation, as defined in subparagraph (E).

"(C) The term 'lead-related case management' means the coordination, provision, and oversight of the nonmedical services for a child with an EBLL necessary to achieve reductions in the child's blood lead levels, improve the child's nutrition, and secure needed resources and services to protect the child by a case manager trained to develop and oversee a multi-disciplinary plan for a child with an EBLL or by a childhood lead poisoning prevention program, as defined by the Secretary. Such services include—

"(i) assessing the child's environmental, nutritional, housing, family, and insurance status and identifying the family's immediate needs to reduce lead exposure through an initial home visit;

"(ii) developing a multidisciplinary case management plan of action that addresses the provision and coordination of each of the following classes of services as appropriate—

"(I) whether or not such services are covered under the State plan under this title;

"(II) lead-related medical management of an EBLL (including environmental investigation);

"(III) nutrition services;

"(IV) family lead education;

"(V) housing;

"(VI) early intervention services;

"(VII) social services; and

"(VIII) other services or programs that are indicated by the child's clinical status and environmental, social, educational, housing, and other needs;

"(iii) assisting the child (and the child's family) in gaining access to covered and non-covered services in the case management plan developed under clause (ii);

"(iv) providing technical assistance to the provider that is furnishing lead-related medical management for the child; and

"(v) implementation and coordination of the case management plan developed under clause (ii) through home visits, family lead education, and referrals.

"(D) The term 'lead-related anticipatory guidance' means education and information for families of children and pregnant women enrolled in the State plan under this title about prevention of childhood lead poisoning that addresses the following topics:

"(i) The importance of lead screening tests and where and how to obtain such tests.

"(ii) Identifying lead hazards in the home.

"(iii) Specialized cleaning, home maintenance, nutritional, and other measures to minimize the risk of childhood lead poisoning.

"(iv) The rights of families under the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851 et seq.).

"(E) The term 'environmental investigation' means the process of determining the source of a child's exposure to lead by an individual that is certified or registered to perform such investigations under State or local law, including the collection and analysis of information and environmental samples from a child's living environment. For purposes of this subparagraph, a child's living environment includes the child's residence or residences, residences of frequently visited caretakers, relatives, and playmates, and the child's day care site. Such investigations shall be conducted in accordance with the standards of the Department of Housing and Urban Development for the evaluation and control of lead-based paint hazards in housing and in compliance with State and local health agency standards for environmental investigation and reporting.

"(2) For purposes of paragraph (1)(A)(ii), a child described in this paragraph is a child who—

"(A) has attained 6 months but has not attained 6 years of age; and

"(B) has been identified as having a blood lead level that equals or exceeds 20 micrograms per deciliter (or after 2 consecutive tests, equals or exceeds 15 micrograms per deciliter, or the applicable number of micrograms designated for such tests under prevailing guidelines of the Centers for Disease Control and Prevention)."

(d) ENHANCED MATCH FOR DATA COMMUNICATIONS SYSTEM.—Section 1903(a)(3) of the Social Security Act (42 U.S.C. 1396b(a)(3)) is amended—

(1) in subparagraph (D), by striking "plus" at the end and inserting "and"; and

(2) by inserting after subparagraph (D), the following:

"(E)(i) 90 percent of so much of the sums expended during such quarter as are attributable to the design, development, or installation of an information retrieval system that may be easily accessed and used by other federally-funded means-tested public benefit programs to determine whether a child is enrolled in the State plan under this

title and whether an enrolled child has received mandatory early and periodic screening, diagnostic, and treatment services, as described in section 1905(r); and

"(ii) 75 percent of so much of the sums expended during such quarter as are attributable to the operation of a system (whether such system is operated directly by the State or by another person under a contract with the State) of the type described in clause (i); plus".

(e) REPORT.—The Secretary of Health and Human Services, acting through the Administrator of the Health Care Financing Administration, annually shall report to Congress on the number of children enrolled in the medicaid program under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.) who have received a blood lead screening test during the prior fiscal year, noting the percentage that such children represent as compared to all children enrolled in that program.

(f) RULE OF CONSTRUCTION.—Nothing in this section or in any amendment made by this section shall be construed as prohibiting the Secretary of Health and Human Services or the State agency administering the State plan under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.) from using funds provided under title XIX of that Act to reimburse a State or entity for expenditures for medically necessary activities in the home of a lead-poisoned child to prevent additional exposure to lead, including specialized cleaning of lead-contaminated dust, emergency relocation, safe repair of peeling paint, dust control, and other activities that reduce lead exposure.

TORRICELLI AMENDMENTS NOS. 3832–3833

(Ordered to lie on the table.)

Mr. TORRICELLI submitted two amendments intended to be proposed by him to the bill, S. 2839, supra; as follows:

AMENDMENT No. 3832

At the end of the bill, add the following:

SEC. 7. WAIVER OF 24-MONTH WAITING PERIOD FOR MEDICARE COVERAGE OF INDIVIDUALS DISABLED WITH AMYOTROPHIC LATERAL SCLEROSIS (ALS).

(a) IN GENERAL.—Section 226 of the Social Security Act (42 U.S.C. 426) is amended—

(1) by redesignating subsection (h) as subsection (j) and by moving such subsection to the end of the section; and

(2) by inserting after subsection (g) the following:

"(h) For purposes of applying this section in the case of an individual medically determined to have amyotrophic lateral sclerosis (ALS), the following special rules apply:

"(1) Subsection (b) shall be applied as if there were no requirement for any entitlement to benefits, or status, for a period longer than 1 month.

"(2) The entitlement under such subsection shall begin with the first month (rather than twenty-fifth month) of entitlement or status.

"(3) Subsection (f) shall not be applied."

(b) CONFORMING AMENDMENT.—Section 1837 of such Act (42 U.S.C. 1395p) is amended by adding at the end the following:

"(j) In applying this section in the case of an individual who is entitled to benefits under part A pursuant to the operation of section 226(h), the following special rules apply:

"(1) The initial enrollment period under subsection (d) shall begin on the first day of the first month in which the individual satisfies the requirement of section 1836(1).

"(2) In applying subsection (g)(1), the initial enrollment period shall begin on the first day of the first month of entitlement to disability insurance benefits referred to in such subsection."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits for months beginning after the date of the enactment of this Act.

DEATH TAX ELIMINATION ACT

GRASSLEY (AND OTHERS) AMENDMENT No. 3834

Mr. GRASSLEY (for himself, Mr. CRAIG, Mr. BURNS, Mr. LUGAR, Mr. BROWBACK, Mr. GRAMS, and Mr. HARKIN) proposed an amendment to the bill, H.R. 8, supra; as follows:

AMENDMENT No. 3833

At the end, add the following:

SEC. . ELIMINATION OF MARRIAGE PENALTY FOR INDIVIDUALS SUFFERING CASUALTY LOSSES.

(a) IN GENERAL.—Subparagraph (B) of section 165(h)(4) of the Internal Revenue Code of 1986 (relating to special rules) is amended to read as follows:

"(B) JOINT RETURNS.—For purposes of this subsection—

"(i) IN GENERAL.—Except as provided in clause (ii), a husband and wife making a joint return for the taxable year shall be treated as 1 individual.

"(ii) ELECTION.—A husband and wife may elect to have each be treated as a single individual for purposes of applying this section. If an election is made under this clause, the adjusted gross income of each individual shall be determined on the basis of the items of income and deduction properly allocable to the individual, as determined under rules prescribed by the Secretary."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to losses sustained in taxable years beginning after December 31, 2000.

At the end of the bill, add the following:

TITLE VI—TAX RELIEF FOR FARMERS

SEC. 601. FARM, FISHING, AND RANCH RISK MANAGEMENT ACCOUNTS.

(a) IN GENERAL.—Subpart C of part II of subchapter E of chapter 1 (relating to taxable year for which deductions taken) is amended by inserting after section 468B the following:

"SEC. 468C. FARM, FISHING, AND RANCH RISK MANAGEMENT ACCOUNTS.

"(a) DEDUCTION ALLOWED.—In the case of an individual engaged in an eligible farming business or commercial fishing, there shall be allowed as a deduction for any taxable year the amount paid in cash by the taxpayer during the taxable year to a Farm, Fishing, and Ranch Risk Management Account (hereinafter referred to as the 'FFARRM Account').

"(b) LIMITATION.—

"(1) CONTRIBUTIONS.—The amount which a taxpayer may pay into the FFARRM Account for any taxable year shall not exceed 20 percent of so much of the taxable income of the taxpayer (determined without regard to this section) which is attributable (determined in the manner applicable under section 1301) to any eligible farming business or commercial fishing.

"(2) DISTRIBUTIONS.—Distributions from a FFARRM Account may not be used to purchase, lease, or finance any new fishing vessel, add capacity to any fishery, or otherwise contribute to the overcapitalization of any fishery. The Secretary of Commerce shall implement regulations to enforce this paragraph.

"(c) ELIGIBLE BUSINESSES.—For purposes of this section—

"(1) ELIGIBLE FARMING BUSINESS.—The term 'eligible farming business' means any farming business (as defined in section 263A(e)(4)) which is not a passive activity (within the meaning of section 469(c)) of the taxpayer.

"(2) COMMERCIAL FISHING.—The term 'commercial fishing' has the meaning given such term by section (3) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802) but only if such fishing is not a passive activity (within the meaning of section 469(c)) of the taxpayer.

"(d) FFARRM ACCOUNT.—For purposes of this section—

"(1) IN GENERAL.—The term 'FFARRM Account' means a trust created or organized in the United States for the exclusive benefit of the taxpayer, but only if the written governing instrument creating the trust meets the following requirements:

"(A) No contribution will be accepted for any taxable year in excess of the amount allowed as a deduction under subsection (a) for such year.

"(B) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section.

"(C) The assets of the trust consist entirely of cash or of obligations which have adequate stated interest (as defined in section 1274(c)(2)) and which pay such interest not less often than annually.

"(D) All income of the trust is distributed currently to the grantor.

"(E) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

"(2) ACCOUNT TAXED AS GRANTOR TRUST.—The grantor of a FFARRM Account shall be treated for purposes of this title as the owner of such Account and shall be subject to tax thereon in accordance with subpart E of part I of subchapter J of this chapter (relating to grantors and others treated as substantial owners).

"(e) INCLUSION OF AMOUNTS DISTRIBUTED.—

"(1) IN GENERAL.—Except as provided in paragraph (2), there shall be includible in the gross income of the taxpayer for any taxable year—

"(A) any amount distributed from a FFARRM Account of the taxpayer during such taxable year, and

"(B) any deemed distribution under—

"(i) subsection (f)(1) (relating to deposits not distributed within 5 years),

"(ii) subsection (f)(2) (relating to cessation in eligible farming business), and

"(iii) subparagraph (A) or (B) of subsection (f)(3) (relating to prohibited transactions and pledging account as security).

"(2) EXCEPTIONS.—Paragraph (1)(A) shall not apply to—

"(A) any distribution to the extent attributable to income of the Account, and

"(B) the distribution of any contribution paid during a taxable year to a FFARRM Account to the extent that such contribution exceeds the limitation applicable under subsection (b) if requirements similar to the requirements of section 408(d)(4) are met.

For purposes of subparagraph (A), distributions shall be treated as first attributable to income and then to other amounts.

"(f) SPECIAL RULES.—

"(1) TAX ON DEPOSITS IN ACCOUNT WHICH ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

"(A) IN GENERAL.—If, at the close of any taxable year, there is a nonqualified balance in any FFARRM Account—

"(i) there shall be deemed distributed from such Account during such taxable year an amount equal to such balance, and

"(ii) the taxpayer's tax imposed by this chapter for such taxable year shall be increased by 10 percent of such deemed distribution.

The preceding sentence shall not apply if an amount equal to such nonqualified balance is distributed from such Account to the taxpayer before the due date (including extensions) for filing the return of tax imposed by this chapter for such year (or, if earlier, the date the taxpayer files such return for such year).

"(B) NONQUALIFIED BALANCE.—For purposes of subparagraph (A), the term 'nonqualified balance' means any balance in the Account on the last day of the taxable year which is attributable to amounts deposited in such Account before the 4th preceding taxable year.

"(C) ORDERING RULE.—For purposes of this paragraph, distributions from a FFARRM Account (other than distributions of current income) shall be treated as made from deposits in the order in which such deposits were made, beginning with the earliest deposits.

"(2) CESSATION IN ELIGIBLE BUSINESS.—At the close of the first disqualification period after a period for which the taxpayer was engaged in an eligible farming business or commercial fishing, there shall be deemed distributed from the FFARRM Account of the taxpayer an amount equal to the balance in such Account (if any) at the close of such disqualification period. For purposes of the preceding sentence, the term 'disqualification period' means any period of 2 consecutive taxable years for which the taxpayer is not engaged in an eligible farming business or commercial fishing.

"(3) CERTAIN RULES TO APPLY.—Rules similar to the following rules shall apply for purposes of this section:

"(A) Section 220(f)(8) (relating to treatment on death).

"(B) Section 408(e)(2) (relating to loss of exemption of account where individual engages in prohibited transaction).

"(C) Section 408(e)(4) (relating to effect of pledging account as security).

"(D) Section 408(g) (relating to community property laws).

"(E) Section 408(h) (relating to custodial accounts).

"(4) TIME WHEN PAYMENTS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a payment to a FFARRM Account on the last day of a taxable year if such payment is made on or before the due date (without regard to extensions) for filing the return of tax for such taxable year.

"(5) INDIVIDUAL.—For purposes of this section, the term 'individual' shall not include an estate or trust.

"(6) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX.—The deduction allowable by reason of subsection (a) shall not be taken into account in determining an individual's net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2.

"(g) REPORTS.—The trustee of a FFARRM Account shall make such reports regarding such Account to the Secretary and to the person for whose benefit the Account is maintained with respect to contributions, distributions, and such other matters as the Secretary may require under regulations. The reports required by this subsection shall be filed at such time and in such manner and furnished to such persons at such time and in such manner as may be required by such regulations."

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) Subsection (a) of section 4973 (relating to tax on excess contributions to certain tax-favored accounts and annuities) is amended by striking "or" at the end of paragraph (3), by redesignating paragraph (4) as paragraph (5), and by inserting after paragraph (3) the following:

"(4) a FFARRM Account (within the meaning of section 468C(d)), or".

(2) Section 4973 is amended by adding at the end the following:

"(g) EXCESS CONTRIBUTIONS TO FFARRM ACCOUNTS.—For purposes of this section, in the case of a FFARRM Account (within the meaning of section 468C(d)), the term 'excess contributions' means the amount by which the amount contributed for the taxable year to the Account exceeds the amount which may be contributed to the Account under section 468C(b) for such taxable year. For purposes of this subsection, any contribution which is distributed out of the FFARRM Account in a distribution to which section 468C(e)(2)(B) applies shall be treated as an amount not contributed."

(3) The section heading for section 4973 is amended to read as follows:

"SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN ACCOUNTS, ANNUITIES, ETC."

(4) The table of sections for chapter 43 is amended by striking the item relating to section 4973 and inserting the following:

"Sec. 4973. Excess contributions to certain accounts, annuities, etc."

(c) TAX ON PROHIBITED TRANSACTIONS.—

(1) Subsection (c) of section 4975 (relating to tax on prohibited transactions) is amended by adding at the end the following:

"(6) SPECIAL RULE FOR FFARRM ACCOUNTS.—A person for whose benefit a FFARRM Account (within the meaning of section 468C(d)) is established shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a FFARRM Account by reason of the application of section 468C(f)(3)(A) to such account."

(2) Paragraph (1) of section 4975(e) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following:

"(E) a FFARRM Account described in section 468C(d),"

(d) FAILURE TO PROVIDE REPORTS ON FFARRM ACCOUNTS.—Paragraph (2) of section 6693(a) (relating to failure to provide reports on certain tax-favored accounts or annuities) is amended by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (E), respectively, and by inserting after subparagraph (B) the following:

"(C) section 468C(g) (relating to FFARRM Accounts),"

(e) CLERICAL AMENDMENT.—The table of sections for subpart C of part II of subchapter E of chapter 1 is amended by inserting after the item relating to section 468B the following:

"Sec. 468C. Farm, Fishing and Ranch Risk Management Accounts."

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 602. WRITTEN AGREEMENT RELATING TO EXCLUSION OF CERTAIN FARM RENTAL INCOME FROM NET EARNINGS FROM SELF-EMPLOYMENT.

(a) INTERNAL REVENUE CODE.—Section 1402(a)(1)(A) (relating to net earnings from self-employment) is amended by striking "an arrangement" and inserting "a lease agreement".

(b) SOCIAL SECURITY ACT.—Section 211(a)(1)(A) of the Social Security Act is amended by striking "an arrangement" and inserting "a lease agreement".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 603. TREATMENT OF CONSERVATION RESERVE PROGRAM PAYMENTS AS RENTALS FROM REAL ESTATE.

(a) IN GENERAL.—Section 1402(a)(1) (defining net earnings from self-employment) is amended by inserting "and including payments under section 1233(2) of the Food Security Act of 1985 (16 U.S.C. 3833(2))" after "crop shares".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments made before, on, or after the date of the enactment of this Act.

SEC. 604. EXEMPTION OF AGRICULTURAL BONDS FROM STATE VOLUME CAP.

(a) IN GENERAL.—Section 146(g) (relating to exception for certain bonds) is amended by striking "and" at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting "; and", and by inserting after paragraph (4) the following:

"(5) any qualified small issue bond described in section 144(a)(12)(B)(ii)."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after the date of enactment of this Act.

SEC. 605. MODIFICATIONS TO SECTION 512(b)(13).

(a) IN GENERAL.—Paragraph (13) of section 512(b) is amended by redesignating subparagraph (E) as subparagraph (F) and by inserting after subparagraph (D) the following new paragraph:

"(E) PARAGRAPH TO APPLY ONLY TO EXCESS PAYMENTS.—

"(i) IN GENERAL.—Subparagraph (A) shall apply only to the portion of a specified payment received by the controlling organization that exceeds the amount which would have been paid if such payment met the requirements prescribed under section 482.

"(ii) ADDITION TO TAX FOR VALUATION MISSTATEMENTS.—The tax imposed by this chapter on the controlling organization shall be increased by an amount equal to 20 percent of such excess."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to payments received or accrued after December 31, 2000.

(2) PAYMENTS SUBJECT TO BINDING CONTRACT TRANSITION RULE.—If the amendments made by section 1041 of the Taxpayer Relief Act of 1997 do not apply to any amount received or accrued after the date of the enactment of this Act under any contract described in subsection (b)(2) of such section, such amendments also shall not apply to amounts received or accrued under such contract before January 1, 2001.

SEC. 606. CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.

(a) IN GENERAL.—Subsection (e) of section 170 (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following new paragraph:

"(7) SPECIAL RULE FOR CONTRIBUTIONS OF FOOD INVENTORY.—For purposes of this section—

"(A) CONTRIBUTIONS BY NON-CORPORATE TAXPAYERS.—In the case of a charitable contribution of food, paragraph (3)(A) shall be applied without regard to whether or not the contribution is made by a corporation.

"(B) LIMIT ON REDUCTION.—In the case of a charitable contribution of food which is a qualified contribution (within the meaning of paragraph (3)(A), as modified by subparagraph (A) of this paragraph)—

“(i) paragraph (3)(B) shall not apply, and
 “(ii) the reduction under paragraph (1)(A) for such contribution shall be no greater than the amount (if any) by which the amount of such contribution exceeds twice the basis of such food.

“(C) DETERMINATION OF BASIS.—For purposes of this paragraph, if a taxpayer uses the cash method of accounting, the basis of any qualified contribution of such taxpayer shall be deemed to be 50 percent of the fair market value of such contribution.

“(D) DETERMINATION OF FAIR MARKET VALUE.—In the case of a charitable contribution of food which is a qualified contribution (within the meaning of paragraph (3), as modified by subparagraphs (A) and (B) of this paragraph) and which, solely by reason of internal standards of the taxpayer, lack of market, or similar circumstances, or which is produced by the taxpayer exclusively for the purposes of transferring the food to an organization described in paragraph (3)(A), cannot or will not be sold, the fair market value of such contribution shall be determined—

“(i) without regard to such internal standards, such lack of market, such circumstances, or such exclusive purpose, and

“(ii) if applicable, by taking into account the price at which the same or similar food items are sold by the taxpayer at the time of the contribution (or, if not so sold at such time, in the recent past).”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2000.

SEC. 607. INCOME AVERAGING FOR FARMERS AND FISHERMEN NOT TO INCREASE ALTERNATIVE MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Section 55(c) (defining regular tax) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following:

“(2) COORDINATION WITH INCOME AVERAGING FOR FARMERS AND FISHERMEN.—Solely for purposes of this section, section 1301 (relating to averaging of farm and fishing income) shall not apply in computing the regular tax.”.

(b) ALLOWING INCOME AVERAGING FOR FISHERMEN.—

(1) IN GENERAL.—Section 1301(a) is amended by striking “farming business” and inserting “farming business or fishing business.”.

(2) DEFINITION OF ELECTED FARM INCOME.—

(A) IN GENERAL.—Clause (i) of section 1301(b)(1)(A) is amended by inserting “or fishing business” before the semicolon.

(B) CONFORMING AMENDMENT.—Subparagraph (B) of section 1301(b)(1) is amended by inserting “or fishing business” after “farming business” both places it occurs.

(3) DEFINITION OF FISHING BUSINESS.—Section 1301(b) is amended by adding at the end the following new paragraph:

“(4) FISHING BUSINESS.—The term ‘fishing business’ means the conduct of commercial fishing as defined in section 3 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 608. REPEAL OF MODIFICATION OF INSTALLMENT METHOD.

(a) IN GENERAL.—Subsection (a) of section 536 of the Ticket to Work and Work Incentives Improvement Act of 1999 (relating to modification of installment method and repeal of installment method for accrual method taxpayers) is repealed effective with respect to sales and other dispositions occurring on or after the date of the enactment of such Act.

(b) APPLICABILITY.—The Internal Revenue Code of 1986 shall be applied and adminis-

tered as if such subsection (and the amendments made by such subsection) had not been enacted.

SEC. 609. COOPERATIVE MARKETING INCLUDES VALUE-ADDED PROCESSING THROUGH ANIMALS.

(a) IN GENERAL.—Section 1388 (relating to definitions and special rules) is amended by adding at the end the following:

“(k) COOPERATIVE MARKETING INCLUDES VALUE-ADDED PROCESSING THROUGH ANIMALS.—For purposes of section 521 and this subchapter, ‘marketing the products of members or other producers’ includes feeding the products of members or other producers to cattle, hogs, fish, chickens, or other animals and selling the resulting animals or animal products.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 610. DECLARATORY JUDGMENT RELIEF FOR SECTION 521 COOPERATIVES.

(a) IN GENERAL.—Section 7428(a)(1) (relating to declaratory judgments of tax exempt organizations) is amended by striking “or” at the end of subparagraph (B) and by adding at the end the following:

“(D) with respect to the initial qualification or continuing qualification of a cooperative as described in section 521(b) which is exempt from tax under section 521(a), or”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to pleadings filed after the date of the enactment of this Act but only with respect to determinations (or requests for determinations) made after January 1, 2000.

SEC. 611. SMALL ETHANOL PRODUCER CREDIT.

(a) ALLOCATION OF ALCOHOL FUELS CREDIT TO PATRONS OF A COOPERATIVE.—Section 40(g) (relating to alcohol used as fuel) is amended by adding at the end the following:

“(6) ALLOCATION OF SMALL ETHANOL PRODUCER CREDIT TO PATRONS OF COOPERATIVE.—

“(A) ELECTION TO ALLOCATE.—

“(i) IN GENERAL.—In the case of a cooperative organization described in section 1381(a), any portion of the credit determined under subsection (a)(3) for the taxable year may, at the election of the organization, be apportioned pro rata among patrons of the organization on the basis of the quantity or value of business done with or for such patrons for the taxable year.

“(ii) FORM AND EFFECT OF ELECTION.—An election under clause (i) for any taxable year shall be made on a timely filed return for such year. Such election, once made, shall be irrevocable for such taxable year.

“(iii) SPECIAL RULE FOR 1998 AND 1999.—Notwithstanding clause (ii), an election for any taxable year ending prior to the date of the enactment of the Death Tax Elimination Act of 2000 may be made at any time before the expiration of the 3-year period beginning on the last date prescribed by law for filing the return of the taxpayer for such taxable year (determined without regard to extensions) by filing an amended return for such year.

“(B) TREATMENT OF ORGANIZATIONS AND PATRONS.—The amount of the credit apportioned to patrons under subparagraph (A)—

“(i) shall not be included in the amount determined under subsection (a) with respect to the organization for the taxable year,

“(ii) shall be included in the amount determined under subsection (a) for the taxable year of each patron for which the patronage dividends for the taxable year described in subparagraph (A) are included in gross income, and

“(iii) shall be included in gross income of such patrons for the taxable year in the manner and to the extent provided in section 87.

“(C) SPECIAL RULES FOR DECREASE IN CREDITS FOR TAXABLE YEAR.—If the amount of the credit of a cooperative organization determined under subsection (a)(3) for a taxable year is less than the amount of such credit shown on the return of the cooperative organization for such year, an amount equal to the excess of—

“(i) such reduction, over

“(ii) the amount not apportioned to such patrons under subparagraph (A) for the taxable year,

shall be treated as an increase in tax imposed by this chapter on the organization. Such increase shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit under this subpart or subpart A, B, E, or G.”.

(b) IMPROVEMENTS TO SMALL ETHANOL PRODUCER CREDIT.—

(1) SMALL ETHANOL PRODUCER CREDIT NOT A PASSIVE ACTIVITY CREDIT.—Clause (i) of section 469(d)(2)(A) is amended by striking “subpart D” and inserting “subpart D, other than section 40(a)(3).”.

(2) ALLOWING CREDIT AGAINST MINIMUM TAX.—

(A) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

“(3) SPECIAL RULES FOR SMALL ETHANOL PRODUCER CREDIT.—

“(A) IN GENERAL.—In the case of the small ethanol producer credit—

“(i) this section and section 39 shall be applied separately with respect to the credit, and

“(ii) in applying paragraph (1) to the credit—

“(I) subparagraphs (A) and (B) thereof shall not apply, and

“(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the small ethanol producer credit).

“(B) SMALL ETHANOL PRODUCER CREDIT.—For purposes of this subsection, the term ‘small ethanol producer credit’ means the credit allowable under subsection (a) by reason of section 40(a)(3).”.

(B) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) is amended by inserting “or the small ethanol producer credit” after “employment credit”.

(3) SMALL ETHANOL PRODUCER CREDIT NOT ADDED BACK TO INCOME UNDER SECTION 87.—Section 87 (relating to income inclusion of alcohol fuel credit) is amended to read as follows:

“SEC. 87. ALCOHOL FUEL CREDIT.

“Gross income includes an amount equal to the sum of—

“(1) the amount of the alcohol mixture credit determined with respect to the taxpayer for the taxable year under section 40(a)(1), and

“(2) the alcohol credit determined with respect to the taxpayer for the taxable year under section 40(a)(2).”.

(c) CONFORMING AMENDMENT.—Section 1388 (relating to definitions and special rules for cooperative organizations) is amended by adding at the end the following:

“(k) CROSS REFERENCE.—For provisions relating to the apportionment of the alcohol fuels credit between cooperative organizations and their patrons, see section 40(d)(6).”.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by subsection (b) of this section shall apply to taxable years ending after the date of enactment.

(2) PROVISIONS AFFECTING COOPERATIVES AND THEIR PATRONS.—The amendments made

by subsections (a) and (c), and the amendments made by paragraphs (2) and (3) of subsection (b), shall apply to taxable years beginning after December 31, 1997.

**BAUCUS (AND OTHERS)
AMENDMENT NO. 3835**

Mr. BAUCUS (for himself, Mr. KERREY, Mr. DORGAN, and Mr. ROBB) proposed an amendment to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) **SHORT TITLE.**—This Act may be cited as the “Estate Tax Relief Act of 2000”.

(b) **AMENDMENT OF 1986 CODE.**—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) **IN GENERAL.**—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

“In the case of estates of decedents dying, and gifts made, during:

The applicable exclusion amount is:

2001, 2002, 2003, 2004, and 2005	\$1,000,000
2006 and 2007	\$1,125,000
2008	\$1,500,000
2009 or thereafter	\$2,000,000.”

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) **IN GENERAL.**—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

“(2) **MAXIMUM DEDUCTION.**—

“(A) **IN GENERAL.**—The deduction allowed by this section shall not exceed the sum of—

“(i) the applicable deduction amount, plus

“(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

“(B) **APPLICABLE DEDUCTION AMOUNT.**—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

“In the case of estates of decedents dying during:

The applicable deduction amount is:

2001, 2002, 2003, 2004, and 2005	\$1,375,000
2006 and 2007	\$1,625,000
2008	\$2,375,000
2009 or thereafter	\$3,375,000.

“(C) **APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.**—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

“(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

“(ii) the sum of—

“(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

“(II) the amount of any increase in such estate’s unified credit under paragraph (3)(B) which was allowed to such estate.”

(b) **CONFORMING AMENDMENTS.**—Section 2057(a)(3)(B) is amended—

(1) by striking “\$675,000” both places it appears and inserting “the applicable deduction amount”, and

(2) by striking “\$675,000” in the heading and inserting “APPLICABLE DEDUCTION AMOUNT”.

(c) **EFFECTIVE DATE.**—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—PENSION INCENTIVES

SEC. 201. REFUNDABLE CREDIT TO CERTAIN INDIVIDUALS FOR ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS.

(a) **IN GENERAL.**—Subpart C of part IV of subchapter A of chapter 1 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

“SEC. 35. ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS BY CERTAIN INDIVIDUALS.

“(a) **ALLOWANCE OF CREDIT.**—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the applicable percentage of so much of the qualified retirement savings contributions of the eligible individual for the taxable year as do not exceed \$1,000.

“(b) **APPLICABLE PERCENTAGE.**—For purposes of this section, the applicable percentage is the percentage determined in accordance with the following table:

Adjusted Gross Income						Applicable percentage
Joint return		Head of a household		All other cases		
Over	Not over	Over	Not over	Over	Not over	
\$0	\$25,000	\$0	\$18,750	\$0	\$12,500	50
25,000	35,000	18,750	26,250	12,500	17,500	45
35,000	45,000	26,250	33,750	17,500	22,500	35
45,000	55,000	33,750	41,250	22,500	27,500	25
55,000	75,000	41,250	56,250	27,500	37,500	15
75,000	80,000	56,250	60,000	37,500	40,000	5
80,000	60,000	40,000	0

“(c) **ELIGIBLE INDIVIDUAL.**—For purposes of this section—

“(1) **IN GENERAL.**—The term ‘eligible individual’ means any individual if—

“(A) such individual has attained the age of 18, but has not attained the age of 61, as of the close of the taxable year, and

“(B) the compensation (as defined in section 219(f)(1)) includible in the gross income of the individual (or, in the case of a joint return, of the taxpayer) for such taxable year is at least \$5,000.

“(2) **DEPENDENTS AND FULL-TIME STUDENTS NOT ELIGIBLE.**—The term ‘eligible individual’ shall not include—

“(A) any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins, and

“(B) any individual who is a student (as defined in section 151(c)(4)).

“(3) **INDIVIDUALS RECEIVING CERTAIN RETIREMENT DISTRIBUTIONS NOT ELIGIBLE.**—

“(A) **IN GENERAL.**—The term ‘eligible individual’ shall not include, with respect to a taxable year, any individual who received during the testing period—

“(i) any distribution from a qualified retirement plan (as defined in section 4974(c)), or from an eligible deferred compensation plan (as defined in section 457(b)), which is includible in gross income, or

“(ii) any distribution from a Roth IRA which is not a qualified rollover contribution (as defined in section 408A(e)) to a Roth IRA.

“(B) **TESTING PERIOD.**—For purposes of subparagraph (A), the testing period, with re-

spect to a taxable year, is the period which includes—

“(i) such taxable year,

“(ii) the 2 preceding taxable years, and

“(iii) the period after such taxable year and before the due date (without extensions) for filing the return of tax for such taxable year.

“(C) **EXCEPTED DISTRIBUTIONS.**—There shall not be taken into account under subparagraph (A)—

“(i) any distribution referred to in section 72(p), 401(k)(8), 401(m)(6), 402(g)(2), 404(k), or 408(d)(4),

“(ii) any distribution to which section 408A(d)(3) applies, and

“(iii) any distribution before January 1, 2002.

“(D) **TREATMENT OF DISTRIBUTIONS RECEIVED BY SPOUSE OF INDIVIDUAL.**—For purposes of determining whether an individual is an eligible individual for any taxable year, any distribution received by the spouse of such individual shall be treated as received by such individual if such individual and spouse file a joint return for such taxable year and for the taxable year during which the spouse receives the distribution.

“(d) **QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS.**—For purposes of this section, the term ‘qualified retirement savings contributions’ means the sum of—

“(1) the amount of the qualified retirement contributions (as defined in section 219(e)) for the benefit of the eligible individual,

“(2) the amount of the elective deferrals (as defined in section 414(u)(2)(C)) of such individual, and

“(3) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4974(c)).

“(e) **INVESTMENT IN THE CONTRACT.**—Notwithstanding any other provision of law, a qualified retirement savings contribution shall not fail to be included in determining the investment in the contract for purposes of section 72 by reason of the credit under this section.”

(b) **CONFORMING AMENDMENTS.**—

(1) Paragraph (b) of section 1324(b) of title 31, United States Code, is amended by inserting before the period “,” or from section 35 of such Code”.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the last item and inserting the following new items:

“Sec. 35. Elective deferrals and IRA contributions by certain individuals.

“Sec. 36. Overpayments of tax.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 202. CREDIT FOR SMALL EMPLOYER PENSION PLAN CONTRIBUTIONS AND START-UP COSTS.

(a) **IN GENERAL.**—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

“SEC. 45D. SMALL EMPLOYER PENSION PLAN CREDIT.

“(a) **GENERAL RULE.**—For purposes of section 38, in the case of an eligible employer, the small employer pension plan credit determined under this section for any taxable year is an amount equal to the sum of—

“(1) 25 percent of the qualified employer contributions of the taxpayer for the taxable year, and

“(2) the qualified start-up costs paid or incurred by the taxpayer during the taxable year.

“(b) **LIMITATIONS.**—

“(1) LIMITS ON CONTRIBUTIONS.—For purposes of subsection (a)(1)—

“(A) qualified employer contributions may only be taken into account for each of the first 3 taxable years ending after the date the employer establishes the qualified employer plan to which the contribution is made, and

“(B) the amount of the qualified employer contributions taken into account with respect to any qualified employee for any such taxable year shall not exceed 3 percent of the compensation (as defined in section 414(s)) of the qualified employee for such taxable year.

“(2) LIMITS ON START-UP COSTS.—The amount of the credit determined under subsection (a)(2) for any taxable year shall not exceed—

“(A) \$500 for each of the first, second, and third taxable years ending after the date the employer established the qualified employer plan to which such costs relate, and

“(B) zero for each taxable year thereafter.

“(c) DEFINITIONS.—For purposes of this section—

“(1) ELIGIBLE EMPLOYER.—

“(A) IN GENERAL.—The term ‘eligible employer’ means, with respect to any year, an employer which has no more than—

“(i) for purposes of subsection (a)(1), 25 employees, and

“(ii) for purposes of subsection (a)(2), 100 employees, who received at least \$5,000 of compensation from the employer for the preceding year.

“(B) 2-YEAR GRACE PERIOD.—An eligible employer who establishes and maintains a qualified employer plan for 1 or more years and who fails to be an eligible employer for any subsequent year shall be treated as an eligible employer for the 2 years following the last year the employer was an eligible employer.

“(C) REQUIREMENT FOR NEW QUALIFIED EMPLOYER PLANS.—Such term shall not include an employer if the employer (or any predecessor employer) established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued, for service in the 3 taxable years ending prior to the first taxable year in which the credit under this section is allowed.

“(2) QUALIFIED EMPLOYER CONTRIBUTIONS.—

“(A) IN GENERAL.—The term ‘qualified employer contributions’ means, with respect to any taxable year, any employer contributions made on behalf of a qualified employee to a qualified employer plan for a plan year ending with or within the taxable year.

“(B) EMPLOYER CONTRIBUTIONS.—The term ‘employer contributions’ shall not include any elective deferral (within the meaning of section 402(g)(3)).

“(3) QUALIFIED EMPLOYEE.—The term ‘qualified employee’ means an individual who—

“(A) is eligible to participate in the qualified employer plan to which the employer contributions are made, and

“(B) is not a highly compensated employee (within the meaning of section 414(q)) for the year for which the contribution is made.

“(4) QUALIFIED START-UP COSTS.—The term ‘qualified start-up costs’ means any ordinary and necessary expenses of an eligible employer which are paid or incurred in connection with—

“(A) the establishment or maintenance of a qualified employer plan in which qualified employees are eligible to participate, and

“(B) providing educational information to employees regarding participation in such plan and the benefits of establishing an investment plan.

“(5) QUALIFIED EMPLOYER PLAN.—The term ‘qualified employer plan’ has the meaning given such term in section 4972(d).

“(d) SPECIAL RULES.—

“(1) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (n) or (o) of section 414, shall be treated as one person. All qualified employer plans of an employer shall be treated as 1 qualified employer plan.

“(2) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowable under this chapter for any qualified start-up costs or qualified employer contributions for which a credit is determined under subsection (a).

“(3) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.”

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit) is amended by striking “plus” at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting “, plus”, and by adding at the end the following new paragraph: “(13) in the case of an eligible employer (as defined in section 45D(c)), the small employer pension plan credit determined under section 45D(a).”

(c) CONFORMING AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 45D. Small employer pension plan credit.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to costs paid or incurred or contributions made in connection with qualified employer plans established after December 31, 2000.

TITLE III—SOCIAL SECURITY KIDSAVE ACCOUNTS

SEC. 301. SHORT TITLE.

This title may be cited as the “Social Security KidSave Accounts Act”.

SEC. 302. SOCIAL SECURITY KIDSAVE ACCOUNTS.

Title II of the Social Security Act (42 U.S.C. 401 et seq.) is amended—

(1) by inserting before section 201 the following:

“PART A—INSURANCE BENEFITS”;

and

(2) by adding at the end the following:

“PART B—KIDSAVE ACCOUNTS

“KIDSAVE ACCOUNTS

“SEC. 251. (a) ESTABLISHMENT.—The Commissioner of Social Security shall establish in the name of each individual born on or after January 1, 2006, a KidSave Account upon the later of—

“(1) the date of enactment of this part, or

“(2) the date of the issuance of a Social Security account number under section 205(c)(2) to such individual.

The KidSave Account shall be identified to the account holder by means of the account holder’s Social Security account number.

“(b) CONTRIBUTIONS.—

“(1) IN GENERAL.—There are authorized to be appropriated and are appropriated such sums as are necessary in order for the Secretary of the Treasury to transfer from the general fund of the Treasury for crediting by the Commissioner to each account holder’s KidSave Account under subsection (a), an amount equal to \$1000.00, on the date of the establishment of such individual’s KidSave Account.

“(2) ADJUSTMENT FOR INFLATION.—For any calendar year after 2010, the dollar amount under paragraph (1) shall be increased by the cost-of-living adjustment determined under section 215(i) for the calendar year.

“(c) DESIGNATIONS REGARDING KIDSAVE ACCOUNTS.—

“(1) INITIAL DESIGNATIONS OF INVESTMENT VEHICLE.—A person described in subsection (d) shall, on behalf of the individual described in subsection (a), designate the investment vehicle for the KidSave Account to which contributions on behalf of such individual are to be deposited. Such designation shall be made on the application for such individual’s Social Security account number.

“(2) CHANGES IN INVESTMENT VEHICLES OR TYPES OF KIDSAVE ACCOUNTS.—The Commissioner shall by regulation provide the time and manner by which an individual or a person described in subsection (d) on behalf of such individual may change 1 or more investment vehicles for a KidSave Account.

“(d) TREATMENT OF MINORS AND INCOMPETENT INDIVIDUALS.—Any designation under subsection (c) to be made by a minor, or an individual mentally incompetent or under other legal disability, may be made by the person who is constituted guardian or other fiduciary by the law of the State of residence of the individual or is otherwise legally vested with the care of the individual or his estate. Payment under this part due a minor, or an individual mentally incompetent or under other legal disability, may be made to the person who is constituted guardian or other fiduciary by the law of the State of residence of the claimant or is otherwise legally vested with the care of the claimant or his estate. In any case in which a guardian or other fiduciary of the individual under legal disability has not been appointed under the law of the State of residence of the individual, if any other person, in the judgment of the Commissioner, is responsible for the care of such individual, any designation under subsection (c) which may otherwise be made by such individual may be made by such person, any payment under this part which is otherwise payable to such individual may be made to such person, and the payment of an annuity payment under this part to such person bars recovery by any other person.

“DEFINITIONS AND SPECIAL RULES

“SEC. 252. For purposes of this part—

“(1) KIDSAVE ACCOUNT.—The term ‘KidSave Account’ means an account in the KidSave Investment Fund (established under section 253) which is administered by the KidSave Investment Fund Board.

“(2) TREATMENT OF ACCOUNT.—

“(A) IN GENERAL.—Except as otherwise provided in this part and in section 531 of the Internal Revenue Code of 1986, any KidSave Account shall be treated in the same manner as an individual account in the Thrift Savings Fund under subchapter III of chapter 84 of title 5, United States Code.

“(B) EXCEPTIONS.—

“(i) CONTRIBUTION LIMIT.—The aggregate amount of contributions for any taxable year to all KidSave Accounts of an individual shall not exceed the contribution made pursuant to section 251(b) for such year on behalf of such individual.

“(ii) ROLLOVER CONTRIBUTIONS.—No rollover contribution may be made to a KidSave Account unless it is from another KidSave Account. A rollover described in the preceding sentence shall not be taken into account for purposes of clause (i).

“(iii) DISTRIBUTIONS.—Notwithstanding any other provision of law, distributions may only be made from a KidSave Account of an individual on or after the earlier of—

“(I) the date on which the individual begins receiving benefits under this title, or

“(II) the date of the individual’s death.

“KIDSAVE INVESTMENT FUND

“SEC. 253. (a) ESTABLISHMENT.—There is established and maintained in the Treasury of the United States a KidSave Investment

Fund in the same manner as the Thrift Savings Fund under sections 8437, 8438, and 8439 of title 5, United States Code.

“(b) KIDSAVE INVESTMENT FUND BOARD.—

“(1) IN GENERAL.—There is established and operated in the Social Security Administration a Kidsave Investment Fund Board in the same manner as the Federal Retirement Thrift Investment Board under subchapter VII of chapter 84 of title 5, United States Code.

“(2) SPECIFIC INVESTMENT DUTIES.—The Kidsave Investment Fund shall be managed by the Kidsave Investment Fund Board in the same manner as the Thrift Savings Fund is managed under subchapter VIII of chapter 84 of title 5, United States Code.”.

GRAMS (AND ABRAHAM) AMENDMENT NO. 3836

Mr. GRAMS (for himself and Mr. ABRAHAM) proposed an amendment to the bill, H.R. 8, supra; as follows:

At the end of the bill, add the following:

TITLE VI—MISCELLANEOUS PROVISIONS

SEC. 601. REPEAL OF INCREASE IN TAX ON SOCIAL SECURITY BENEFITS.

(a) REPEAL OF INCREASE IN TAX ON SOCIAL SECURITY BENEFITS.—

(1) IN GENERAL.—Paragraph (2) of section 86(a) (relating to social security and tier 1 railroad retirement benefits) is amended by adding at the end the following new flush sentence:

“This paragraph shall not apply to any taxable year beginning after December 31, 2000.”

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after December 31, 2000.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall transfer, for each fiscal year, from the general fund in the Treasury to the Federal Hospital Insurance Trust Fund established under section 1817 of the Social Security Act (42 U.S.C. 1395i) an amount equal to the decrease in revenues to the Treasury for such fiscal year by reason of the amendment made by this section.

DODD (AND OTHERS) AMENDMENT NO. 3837

(Ordered to lie on the table.)

Mr. DODD (for himself, Mr. WELLSTONE, Ms. LANDRIEU, and Mr. KOHL) submitted an amendment to be proposed by them to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the “Estate Tax Relief Act of 2000”.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

“In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	\$1,000,000
2006 and 2007	\$1,125,000

“In the case of estates of decedents dying, and gifts made, during:

2008	\$1,500,000
2009 or thereafter	\$2,000,000.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

“(2) MAXIMUM DEDUCTION.—

“(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

“(i) the applicable deduction amount, plus

“(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

“(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

“In the case of estates of decedents dying during:

2001, 2002, 2003, 2004, and 2005	\$1,375,000
2006 and 2007	\$1,625,000
2008	\$2,375,000
2009 or thereafter	\$3,375,000.”

“(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

“(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

“(ii) the sum of—

“(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

“(II) the amount of any increase in such estate’s unified credit under paragraph (3)(B) which was allowed to such estate.”

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking “\$675,000” both places it appears and inserting “the applicable deduction amount”, and

(2) by striking “\$675,000” in the heading and inserting “APPLICABLE DEDUCTION AMOUNT”.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—DEPENDENT CARE TAX CREDIT

SEC. 201. EXPANSION OF DEPENDENT CARE TAX CREDIT.

(a) IN GENERAL.—Paragraph (2) of section 21(a) (relating to expenses for household and dependent care services necessary for gainful employment) is amended to read as follows:

“(2) APPLICABLE PERCENTAGE DEFINED.—For purposes of paragraph (1), the term ‘applicable percentage’ means 50 percent (40 percent for taxable years beginning after December 31, 2002, and before January 1, 2005) reduced (but not below 20 percent) by 1 percentage point for each \$1,000 (or fraction thereof) by which the taxpayer’s adjusted gross income for the taxable year exceeds \$30,000.”

(b) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Section 21(e) (relating to special rules) is amended by adding at the end the following:

“(11) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Notwithstanding subsection (d), in the case of any taxpayer with one or more qualifying individuals described in subsection (b)(1)(A) under the age of 1 at any time during the taxable year, such tax-

The applicable exclusion amount is:

payer shall be deemed to have employment-related expenses with respect to not more than 2 of such qualifying individuals in an amount equal to the greater of—

“(A) the amount of employment-related expenses incurred for such qualifying individuals for the taxable year (determined under this section without regard to this paragraph), or

“(B) \$41.67 for each month in such taxable year during which each such qualifying individual is under the age of 1.”.

(c) INFLATION ADJUSTMENT OF DOLLAR AMOUNTS.—

(1) Section 21 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2001, the \$30,000 amount contained in subsection (a), the \$2,400 amount in subsection (c), and the \$41.67 amount in subsection (e)(11) shall be increased by an amount equal to—

“(1) such dollar amount, multiplied by

“(2) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 2000’ for ‘calendar year 1992’ in subparagraph (B) thereof.

If the increase determined under the preceding sentence is not a multiple of \$50 (\$5 in the case of the amount in subsection (e)(11)), such amount shall be rounded to the next lowest multiple thereof.”

(2) Paragraph (2) of section 21(c) is amended by striking “\$4,800” and inserting “twice the dollar amount applicable under paragraph (1)”.

(3) Paragraph (2) of section 21(d) is amended by striking “less than—” and all that follows through the end of the first sentence and inserting “less than ½ of the amount which applies under subsection (c) to the taxpayer for the taxable year.”

(d) CREDIT ALLOWED BASED ON RESIDENCY IN CERTAIN CASES.—Subsection (e) of section 21 is amended by adding at the end the following new paragraph:

“(12) CREDIT ALLOWED BASED ON RESIDENCY IN CERTAIN CASES.—In the case of a taxpayer—

“(A) who does not satisfy the household maintenance test of subsection (a) for any period, but

“(B) whose principal place of abode for such period is also the principal place of abode of any qualifying individual, then such taxpayer shall be treated as satisfying such test for such period but the amount of credit allowable under this section with respect to such individual shall be determined by allowing only ½ of the limitation under subsection (c) for each full month that the requirement of subparagraph (B) is met.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 202. DEPENDENT CARE TAX CREDIT MADE REFUNDABLE.

(a) IN GENERAL.—Part IV of subchapter A of chapter 1 (relating to credits against tax) is amended—

(1) by redesignating section 35 as section 36, and

(2) by redesignating section 21 as section 35.

(b) ADVANCE PAYMENT OF CREDIT.—Chapter 25 (relating to general provisions relating to employment taxes) is amended by inserting after section 3507 the following:

“SEC. 3507A. ADVANCE PAYMENT OF DEPENDENT CARE CREDIT.

“(a) GENERAL RULE.—Except as otherwise provided in this section, every employer

making payment of wages with respect to whom a dependent care eligibility certificate is in effect shall, at the time of paying such wages, make an additional payment equal to such employee's dependent care advance amount.

"(b) DEPENDENT CARE ELIGIBILITY CERTIFICATE.—For purposes of this title, a dependent care eligibility certificate is a statement furnished by an employee to the employer which—

"(1) certifies that the employee will be eligible to receive the credit provided by section 35 for the taxable year,

"(2) certifies that the employee reasonably expects to be an applicable taxpayer for the taxable year,

"(3) certifies that the employee does not have a dependent care eligibility certificate in effect for the calendar year with respect to the payment of wages by another employer,

"(4) states whether or not the employee's spouse has a dependent care eligibility certificate in effect,

"(5) states the number of qualifying individuals in the household maintained by the employee, and

"(6) estimates the amount of employment-related expenses for the calendar year.

"(c) DEPENDENT CARE ADVANCE AMOUNT.—

"(1) IN GENERAL.—For purposes of this title, the term 'dependent care advance amount' means, with respect to any payroll period, the amount determined—

"(A) on the basis of the employee's wages from the employer for such period,

"(B) on the basis of the employee's estimated employment-related expenses included in the dependent care eligibility certificate, and

"(C) in accordance with tables provided by the Secretary.

"(2) ADVANCE AMOUNT TABLES.—The tables referred to in paragraph (1)(C) shall be similar in form to the tables prescribed under section 3402 and, to the maximum extent feasible, shall be coordinated with such tables and the tables prescribed under section 3507(c).

"(d) OTHER RULES.—For purposes of this section, rules similar to the rules of subsections (d) and (e) of section 3507 shall apply.

"(e) DEFINITIONS.—For purposes of this section, terms used in this section which are defined in section 35 shall have the respective meanings given such terms by section 35."

(c) CONFORMING AMENDMENTS.—

(1) Section 35(a)(1), as redesignated by paragraph (1), is amended by striking "chapter" and inserting "subtitle".

(2) Section 35(e), as so redesignated and amended by subsection (c), is amended by adding at the end the following:

"(13) COORDINATION WITH ADVANCE PAYMENTS AND MINIMUM TAX.—Rules similar to the rules of subsections (g) and (h) of section 32 shall apply for purposes of this section."

(3) Sections 23(f)(1) and 129(a)(2)(C) are each amended by striking "section 21(e)" and inserting "section 35(e)".

(4) Section 129(b)(2) is amended by striking "section 21(d)(2)" and inserting "section 35(d)(2)".

(5) Section 129(e)(1) is amended by striking "section 21(b)(2)" and inserting "section 35(b)(2)".

(6) Section 213(e) is amended by striking "section 21" and inserting "section 35".

(7) Section 995(f)(2)(C) is amended by striking "and 34" and inserting "34, and 35".

(8) Section 6211(b)(4)(A) is amended by striking "and 34" and inserting "34, and 35".

(9) Section 6213(g)(2)(H) is amended by striking "section 21" and inserting "section 35".

(10) Section 6213(g)(2)(L) is amended by striking "section 21, 24, or 32" and inserting "section 24, 32, or 35".

(11) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 35 and inserting the following:

"Sec. 35. Dependent care services.

"Sec. 36. Overpayments of tax."

(12) The table of sections for subpart A of such part IV is amended by striking the item relating to section 21.

(13) The table of sections for chapter 25 is amended by adding after the item relating to section 3507 the following:

"Sec. 3507A. Advance payment of dependent care credit."

(14) Section 1324(b)(2) of title 31, United States Code, is amended by inserting before the period "or enacted by the Death Tax Elimination Act of 2000".

(d) EFFECTIVE DATE.—The amendments made by this section apply to taxable years beginning after December 31, 2002.

TITLE III—EXPANSION OF ADOPTION CREDIT

SEC. 301. EXPANSION OF ADOPTION CREDIT.

(a) SPECIAL NEEDS ADOPTION.—

(1) CREDIT AMOUNT.—Paragraph (1) of section 23(a) (relating to allowance of credit) is amended to read as follows:

"(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter—

"(A) in the case of a special needs adoption, \$10,000, or

"(B) in the case of any other adoption, the amount of the qualified adoption expenses paid or incurred by the taxpayer."

(2) YEAR CREDIT ALLOWED.—Section 23(a)(2) (relating to year credit allowed) is amended by adding at the end the following new flush sentence:

"In the case of a special needs adoption, the credit allowed under paragraph (1) shall be allowed for the taxable year in which the adoption becomes final."

(3) DOLLAR LIMITATION.—Section 23(b)(1) is amended—

(A) by striking "subsection (a)" and inserting "subsection (a)(1)(B)", and

(B) by striking "\$6,000, in the case of a child with special needs)".

(4) DEFINITION OF SPECIAL NEEDS ADOPTION.—Section 23(d) (relating to definitions) is amended by adding at the end the following new paragraph:

"(4) SPECIAL NEEDS ADOPTION.—The term 'special needs adoption' means the final adoption of an individual during the taxable year who is an eligible child and who is a child with special needs."

(5) DEFINITION OF CHILD WITH SPECIAL NEEDS.—Section 23(d)(3) (defining child with special needs) is amended to read as follows:

"(3) CHILD WITH SPECIAL NEEDS.—The term 'child with special needs' means any child if a State has determined that the child's ethnic background, age, membership in a minority or sibling groups, medical condition or physical impairment, or emotional handicap makes some form of adoption assistance necessary."

(b) INCREASE IN INCOME LIMITATIONS.—Section 23(b)(2) (relating to income limitation) is amended—

(1) in subparagraph (A)—

(A) by striking "\$75,000" and inserting "\$63,550 (\$105,950 in the case of a joint return)", and

(B) by striking "\$40,000" and inserting "the applicable amount", and

(2) by adding at the end the following new subparagraph:

"(C) APPLICABLE AMOUNT.—For purposes of subparagraph (A), the applicable amount,

with respect to any taxpayer, for the taxable year shall be an amount equal to the excess of—

"(i) the maximum taxable income amount for the 31 percent bracket under the table contained in section 1 relating to such taxpayer and in effect for the taxable year, over

"(ii) the dollar amount in effect with respect to the taxpayer for the taxable year under subparagraph (A)(i).

"(D) COST-OF-LIVING ADJUSTMENT.—

"(i) IN GENERAL.—In the case of a taxable year beginning after 2001, each dollar amount under subparagraph (A)(i) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

"(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of \$1,000, such amount shall be rounded to the next lower multiple of \$1,000."

(c) ADOPTION CREDIT MADE PERMANENT.—Subclauses (A) and (B) of section 23(d)(2) (defining eligible child) are amended to read as follows:

"(A) who has not attained age 18, or

"(B) who is physically or mentally incapable of caring for himself."

(d) CONFORMING AMENDMENTS.—

(1) Section 23(a)(2) is amended by striking "(1)" and inserting "(1)(B)".

(2) Section 23(b)(3) is amended by striking "(a)" each place it appears and inserting "(a)(1)(B)".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

TITLE IV—INCENTIVES FOR EMPLOYER-PROVIDED CHILD CARE

SEC. 401. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

"SEC. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.

"(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to the sum of—

"(1) 25 percent of the qualified child care expenditures, and

"(2) 10 percent of the qualified child care resource and referral expenditures, of the taxpayer for such taxable year.

"(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed \$150,000.

"(c) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED CHILD CARE EXPENDITURE.—

"(A) IN GENERAL.—The term 'qualified child care expenditure' means any amount paid or incurred—

"(i) to acquire, construct, rehabilitate, or expand property—

"(I) which is to be used as part of an eligible qualified child care facility of the taxpayer,

"(II) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

"(III) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer,

"(ii) for the operating costs of an eligible qualified child care facility of the taxpayer,

including costs related to the training of employees of the child care facility, to scholarship programs, to the providing of differential compensation to employees based on level of child care training, and to expenses associated with achieving accreditation, or

"(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.

"(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified child care expenditure' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

"(C) NONDISCRIMINATION.—The term 'qualified child care expenditure' shall not include any amount expended in relation to any child care services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

"(2) QUALIFIED CHILD CARE FACILITY.—

"(A) IN GENERAL.—The term 'qualified child care facility' means a facility—

"(i) the principal use of which is to provide child care assistance, and

"(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including, but not limited to, the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 121) of the operator of the facility.

"(B) ELIGIBLE QUALIFIED CHILD CARE FACILITY.—A qualified child care facility shall be treated as an eligible qualified child care facility with respect to the taxpayer if—

"(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

"(ii) the facility is not the principal trade or business of the taxpayer, and

"(iii) at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

"(C) APPLICATION OF SUBPARAGRAPH (B).—In the case of a new facility, the facility shall be treated as meeting the requirement of subparagraph (B)(iii) if not later than 2 years after placing such facility in service at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

"(3) QUALIFIED CHILD CARE RESOURCE AND REFERRAL EXPENDITURE.—

"(A) IN GENERAL.—The term 'qualified child care resource and referral expenditure' means any amount paid or incurred under a contract to provide child care resource and referral services to employees of the taxpayer.

"(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified child care resource and referral expenditure' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

"(C) NONDISCRIMINATION.—The term 'qualified child care resource and referral expenditure' shall not include any amount expended in relation to any child care resource and referral services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

"(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

"(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any eligible qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable

year shall be increased by an amount equal to the product of—

"(A) the applicable recapture percentage, and

"(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

"(2) APPLICABLE RECAPTURE PERCENTAGE.—

"(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

If the recapture event occurs in:	The applicable recapture percentage is:
Year 1	100
Year 2	80
Year 3	60
Year 4	40
Year 5	20
Years 6 and thereafter	0.

"(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the eligible qualified child care facility is placed in service by the taxpayer.

"(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term 'recapture event' means—

"(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as an eligible qualified child care facility.

"(B) CHANGE IN OWNERSHIP.—

"(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in an eligible qualified child care facility with respect to which the credit described in subsection (a) was allowable.

"(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

"(4) SPECIAL RULES.—

"(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

"(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

"(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

"(e) SPECIAL RULES.—For purposes of this section—

"(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

"(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

"(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the cred-

it shall be allocated among partners under regulations prescribed by the Secretary.

"(f) NO DOUBLE BENEFIT.—

"(1) REDUCTION IN BASIS.—For purposes of this subtitle—

"(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

"(B) CERTAIN DISPOSITIONS.—If during any taxable year there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term 'recapture amount' means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

"(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section."

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) is amended—

(A) by striking out "plus" at the end of paragraph (11),

(B) by striking out the period at the end of paragraph (12), and inserting a comma and "plus", and

(C) by adding at the end the following new paragraph:

"(13) the employer-provided child care credit determined under section 45D."

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

"Sec. 45D. Employer-provided child care credit."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SANTORUM (AND OTHERS) AMENDMENT NO. 3838

(Ordered to lie on the table.)

Mr. SANTORUM (for himself, Mr. LIEBERMAN, Mr. ABRAHAM, Mr. HUTCHINSON, Mr. TORRICELLI, Mr. DEWINE, Mr. KOHL, Ms. LANDRIEU, and Mr. KERRY) submitted an amendment intended to be proposed by them to the bill, H.R. 8, supra; as follows:

At the end, add the following:

DIVISION B—AMERICAN COMMUNITY RENEWAL AND NEW MARKETS EMPOWERMENT

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This division may be cited as the "American Community Renewal and New Markets Empowerment Act".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this division an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

Sec. 1. Short title; etc.

TITLE I—AMERICAN COMMUNITY RENEWAL

Sec. 101. Designation of and tax incentives for renewal communities.

Sec. 102. Extension of expensing of environmental remediation costs to renewal communities; extension of termination date for renewal communities and empowerment zones.

Sec. 103. Work opportunity credit for hiring youth residing in renewal communities.

Sec. 104. Evaluation and reporting requirements.

Sec. 105. Exclusion of effects of this title from paygo scorecard.

TITLE II—NEW MILLENNIUM CLASSROOMS

Sec. 201. Credit for computer donations to schools, senior centers, public libraries, and other training centers.

TITLE III—EXPANSION AND EXTENSION OF EMPOWERMENT ZONE TAX INCENTIVES

Sec. 301. Authority to designate 9 additional empowerment zones.

Sec. 302. Extension of enterprise zone treatment through 2009.

Sec. 303. 20 percent employment credit for all empowerment zones.

Sec. 304. Increased expensing under section 179.

Sec. 305. Higher limits on tax-exempt empowerment zone facility bonds.

Sec. 306. Nonrecognition of gain on rollover of empowerment zone investments.

Sec. 307. Increased exclusion of gain on sale of empowerment zone investments.

Sec. 308. Funding entitlement for Round II empowerment zones.

Sec. 309. Rules regarding qualified issues.

Sec. 310. Custom user fees.

TITLE IV—FAITH BASED SUBSTANCE ABUSE TREATMENT

Sec. 401. Prevention and treatment of substance abuse; services provided through religious organizations.

TITLE V—HOMEOWNERSHIP

Sec. 501. Transfer of unoccupied and substandard HUD-held housing to local governments and community development corporations.

Sec. 502. Transfer of HUD assets in revitalization areas.

Sec. 503. Risk-sharing demonstration.

TITLE VI—AMERICA'S PRIVATE INVESTMENT COMPANIES

Sec. 601. Short title.

Sec. 602. Findings and purposes.

Sec. 603. Definitions.

Sec. 604. Authorization.

Sec. 605. Selection of APICs.

Sec. 606. Operations of APICs.

Sec. 607. Credit enhancement by the Federal Government.

Sec. 608. APIC requests for guarantee actions.

Sec. 609. Examination and monitoring of APICs.

Sec. 610. Penalties.

Sec. 611. Effective date.

Sec. 612. Sunset.

TITLE VII—NEW MARKETS TAX CREDIT

Sec. 701. New markets tax credit.

TITLE VIII—COMMUNITY DEVELOPMENT AND VENTURE CAPITAL

Sec. 800. Short title.

Subtitle A—New Markets Venture Capital Program

Sec. 801. New Markets Venture Capital Program.

Sec. 802. Bankruptcy exemption for NMVC companies.

Sec. 803. Federal savings associations.

Subtitle B—Community Development Venture Capital Assistance

Sec. 811. Findings and purposes.

Sec. 812. Community development venture capital activities.

Subtitle C—Business LINC

Sec. 821. Grants authorized.

Sec. 822. Regulations.

TITLE IX—BOND VOLUME CAP AND LOW-INCOME HOUSING CREDIT INCREASES

Sec. 901. Increase in State ceiling on private activity bonds.

Sec. 902. Increase in State ceiling on low-income housing credit.

TITLE X—INDIVIDUAL DEVELOPMENT ACCOUNTS

Sec. 1001. Findings.

Sec. 1002. Purposes.

Sec. 1003. Definitions.

Subtitle A—Individual Development Accounts for Low-Income Workers

Sec. 1011. Structure and administration of qualified individual development account programs.

Sec. 1012. Procedures for opening an Individual Development Account and qualifying for matching funds.

Sec. 1013. Contributions to Individual Development Accounts.

Sec. 1014. Deposits by qualified individual development account programs.

Sec. 1015. Withdrawal procedures.

Sec. 1016. Certification and termination of qualified individual development account programs.

Sec. 1017. Reporting, monitoring, and evaluation.

Sec. 1018. Certain account funds of program participants disregarded for purposes of certain means-tested Federal programs.

Subtitle B—Qualified Individual Development Account Program Investment Credits

Sec. 1021. Qualified individual development account program investment credits.

Sec. 1022. CRA credit treatment for qualified individual development account program investments.

Sec. 1023. Designation of earned income tax credit payments for deposit to Individual Development Accounts.

TITLE XI—CHARITABLE CHOICE EXPANSION

Sec. 1101. Provision of assistance under government programs by religious organizations.

TITLE XII—ANTHRACITE REGION REDEVELOPMENT

Sec. 1201. Credit to holders of qualified anthracite region redevelopment bonds.

TITLE I—AMERICAN COMMUNITY RENEWAL

SEC. 101. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

(a) IN GENERAL.—Chapter 1 is amended by adding at the end the following new subchapter:

“Subchapter X—Renewal Communities

“Part I. Designation.

“Part II. Renewal community capital gain; renewal community business.

“Part III. Additional incentives.

“PART I—DESIGNATION

“Sec. 1400E. Designation of renewal communities.

“SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.

“(a) DESIGNATION.—

“(1) DEFINITIONS.—For purposes of this title, the term ‘renewal community’ means any area—

“(A) which is nominated by one or more local governments and the State or States in which it is located for designation as a renewal community (hereinafter in this section referred to as a ‘nominated area’), and

“(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with—

“(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury; the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration, and

“(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

“(2) NUMBER OF DESIGNATIONS.—

“(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 1 nominated area as a renewal community in each State.

“(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under paragraph (1), at least 20 percent must be areas—

“(i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000,

“(ii) which are outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

“(iii) which are determined by the Secretary of Housing and Urban Development, after consultation with the Secretary of Commerce, to be rural areas.

“(3) AREAS DESIGNATED BASED ON DEGREE OF POVERTY, ETC.—

“(A) IN GENERAL.—Except as otherwise provided in this section, the nominated areas designated as renewal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

“(B) EXCEPTION WHERE INADEQUATE COURSE OF ACTION, ETC.—An area shall not be designated under subparagraph (A) if the Secretary of Housing and Urban Development determines that the course of action described in subsection (d)(2) with respect to such area is inadequate.

“(4) LIMITATION ON DESIGNATIONS.—

“(A) PUBLICATION OF REGULATIONS.—The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

“(i) the procedures for nominating an area under paragraph (1)(A),

“(ii) the parameters relating to the size and population characteristics of a renewal community, and

“(iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (d).

“(B) TIME LIMITATIONS.—The Secretary of Housing and Urban Development may designate nominated areas as renewal communities only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

“(C) PROCEDURAL RULES.—The Secretary of Housing and Urban Development shall not make any designation of a nominated area as a renewal community under paragraph (2) unless—

“(i) the local governments and the States in which the nominated area is located have the authority—

“(I) to nominate such area for designation as a renewal community,

“(II) to make the State and local commitments described in subsection (d), and

“(III) to provide assurances satisfactory to the Secretary of Housing and Urban Development that such commitments will be fulfilled,

“(ii) a nomination regarding such area is submitted in such a manner and in such form, and contains such information, as the Secretary of Housing and Urban Development shall by regulation prescribe, and

“(iii) the Secretary of Housing and Urban Development determines that any information furnished is reasonably accurate.

“(5) NOMINATION PROCESS FOR INDIAN RESERVATIONS.—For purposes of this subchapter, in the case of a nominated area on an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be treated as being both the State and local governments with respect to such area.

“(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

“(1) IN GENERAL.—Any designation of an area as a renewal community shall remain in effect during the period beginning on January 1, 2001, and ending on the earliest of—

“(A) December 31, 2009,

“(B) the termination date designated by the State and local governments in their nomination, or

“(C) the date the Secretary of Housing and Urban Development revokes such designation.

“(2) REVOCATION OF DESIGNATION.—The Secretary of Housing and Urban Development may revoke the designation under this section of an area if such Secretary determines that the local government or the State in which the area is located—

“(A) has modified the boundaries of the area, or

“(B) is not complying substantially with, or fails to make progress in achieving, the State or local commitments, respectively, described in subsection (d).

“(c) AREA AND ELIGIBILITY REQUIREMENTS.—

“(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate a nominated area as a renewal community under subsection (a) only if the area meets the requirements of paragraphs (2) and (3) of this subsection.

“(2) AREA REQUIREMENTS.—A nominated area meets the requirements of this paragraph if—

“(A) the area is within the jurisdiction of one or more local governments,

“(B) the boundary of the area is continuous, and

“(C) the area—

“(i) has a population, of at least—

“(I) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 143(k)(2)(B)) which has a population of 50,000 or greater, or

“(II) 1,000 in any other case, or

“(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

“(3) ELIGIBILITY REQUIREMENTS.—A nominated area meets the requirements of this paragraph if the State and the local governments in which it is located certify (and the Secretary of Housing and Urban Development, after such review of supporting data as he deems appropriate, accepts such certification) that—

“(A) the area is one of pervasive poverty, unemployment, and general distress,

“(B) the unemployment rate in the area, as determined by the most recent available

data, was at least 1½ times the national unemployment rate for the period to which such data relate,

“(C) the poverty rate for each population census tract within the nominated area is at least 20 percent, and

“(D) in the case of an urban area, at least 70 percent of the households living in the area have incomes below 80 percent of the median income of households within the jurisdiction of the local government (determined in the same manner as under section 119(b)(2) of the Housing and Community Development Act of 1974).

“(4) CONSIDERATION OF HIGH INCIDENCE OF CRIME.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

“(5) CONSIDERATION OF COMMUNITIES IDENTIFIED IN GAO STUDY.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, if the area has census tracts identified in the May 12, 1998, report of the Government Accounting Office regarding the identification of economically distressed areas.

“(d) REQUIRED STATE AND LOCAL COMMITMENTS.—

“(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

“(A) the local government and the State in which the area is located agree in writing that, during any period during which the area is a renewal community, such governments will follow a specified course of action which meets the requirements of paragraph (2) and is designed to reduce the various burdens borne by employers or employees in such area, and

“(B) the economic growth promotion requirements of paragraph (3) are met.

“(2) COURSE OF ACTION.—

“(A) IN GENERAL.—A course of action meets the requirements of this paragraph if such course of action is a written document, signed by a State (or local government) and neighborhood organizations, which evidences a partnership between such State or government and community-based organizations and which commits each signatory to specific and measurable goals, actions, and timetables. Such course of action shall include at least 4 of the following:

“(i) A reduction of tax rates or fees applying within the renewal community.

“(ii) An increase in the level of efficiency of local services within the renewal community.

“(iii) Crime reduction strategies, such as crime prevention (including the provision of such services by nongovernmental entities).

“(iv) Actions to reduce, remove, simplify, or streamline governmental requirements applying within the renewal community.

“(v) Involvement in the program by private entities, organizations, neighborhood organizations, and community groups, particularly those in the renewal community, including a commitment from such private entities to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents from the renewal community.

“(vi) The gift (or sale at below fair market value) of surplus real property (such as land, homes, and commercial or industrial structures) in the renewal community to neighborhood organizations, community development corporations, or private companies.

“(B) RECOGNITION OF PAST EFFORTS.—For purposes of this section, in evaluating the

course of action agreed to by any State or local government, the Secretary of Housing and Urban Development shall take into account the past efforts of such State or local government in reducing the various burdens borne by employers and employees in the area involved.

“(3) ECONOMIC GROWTH PROMOTION REQUIREMENTS.—The economic growth promotion requirements of this paragraph are met with respect to a nominated area if the local government and the State in which such area is located certify in writing that such government and State (respectively) have repealed, will not enforce, or will reduce within the area at least 4 of the following if such area is designated as a renewal community:

“(A) Licensing requirements for occupations that do not ordinarily require a professional degree.

“(B) Zoning restrictions on home-based businesses which do not create a public nuisance.

“(C) Permit requirements for street vendors who do not create a public nuisance.

“(D) Zoning or other restrictions that impede the formation of schools or child care centers.

“(E) Franchises or other restrictions on competition for businesses providing public services, including taxicabs, jitneys, cable television, or trash hauling.

This paragraph shall not apply to the extent that such regulation of businesses and occupations is necessary for and well-tailored to the protection of health and safety.

“(e) COORDINATION WITH TREATMENT OF EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.—

“(1) IN GENERAL.—For purposes of this title, the designation under section 1391 of any area as an empowerment zone or enterprise community shall cease to be in effect as of the date that any portion of such area is designated as a renewal community.

“(2) SPECIAL RULE FOR WAGE CREDIT.—For purposes of section 1400H (relating to renewal community employment credit)—

“(A) there shall not be taken into account wages taken into account under section 1396 (without regard to section 1400H), and

“(B) the \$15,000 amount in section 1396(c) shall (in applying section 1400H) be reduced for any calendar year by the amount of wages paid or incurred during such year which are taken into account in determining the credit under section 1396 (without regard to section 1400H).

“(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this subchapter—

“(1) GOVERNMENTS.—If more than one government seeks to nominate an area as a renewal community, any reference to, or requirement of, this section shall apply to all such governments.

“(2) LOCAL GOVERNMENT.—The term ‘local government’ means—

“(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State, and

“(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary of Housing and Urban Development.

“(3) STATE.—The term ‘State’ means the several States.

“(4) APPLICATION OF RULES RELATING TO CENSUS TRACTS.—The rules of sections 1392(b)(4) shall apply.

“(5) CENSUS DATA.—Population and poverty rate shall be determined by using 1990 census data.

“PART II—RENEWAL COMMUNITY CAPITAL GAIN; RENEWAL COMMUNITY BUSINESS

“Sec. 1400F. Renewal community capital gain.

"Sec. 1400G. Renewal community business defined.

"SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.

"(a) GENERAL RULE.—Gross income does not include any qualified capital gain recognized on the sale or exchange of a qualified community asset held for more than 5 years.

"(b) QUALIFIED COMMUNITY ASSET.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified community asset' means—

"(A) any qualified community stock,

"(B) any qualified community partnership interest, and

"(C) any qualified community business property.

"(2) QUALIFIED COMMUNITY STOCK.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'qualified community stock' means any stock in a domestic corporation if—

"(i) such stock is acquired by the taxpayer after December 31, 2000, and before January 1, 2010, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash,

"(ii) as of the time such stock was issued, such corporation was a renewal community business (or, in the case of a new corporation, such corporation was being organized for purposes of being a renewal community business), and

"(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a renewal community business.

"(B) REDEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph.

"(3) QUALIFIED COMMUNITY PARTNERSHIP INTEREST.—The term 'qualified community partnership interest' means any capital or profits interest in a domestic partnership if—

"(A) such interest is acquired by the taxpayer after December 31, 2000, and before January 1, 2010, from the partnership solely in exchange for cash,

"(B) as of the time such interest was acquired, such partnership was a renewal community business (or, in the case of a new partnership, such partnership was being organized for purposes of being a renewal community business), and

"(C) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as a renewal community business.

A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph.

"(4) QUALIFIED COMMUNITY BUSINESS PROPERTY.—

"(A) IN GENERAL.—The term 'qualified community business property' means tangible property if—

"(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2010,

"(ii) the original use of such property in the renewal community commences with the taxpayer, and

"(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a renewal community business of the taxpayer.

"(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS.—The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to—

"(i) property which is substantially improved by the taxpayer before January 1, 2010, and

"(ii) any land on which such property is located.

The determination of whether a property is substantially improved shall be made under clause (ii) of section 1400B(b)(4)(B), except that 'December 31, 2000' shall be substituted for 'December 31, 1997' in such clause.

"(c) QUALIFIED CAPITAL GAIN.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'qualified capital gain' means any gain recognized on the sale or exchange of—

"(A) a capital asset, or

"(B) property used in the trade or business (as defined in section 1231(b)).

"(2) GAIN BEFORE 2001 OR AFTER 2014 NOT QUALIFIED.—The term 'qualified capital gain' shall not include any gain attributable to periods before January 1, 2001, or after December 31, 2014.

"(3) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (3), (4), and (5) of section 1400B(e) shall apply for purposes of this subsection.

"(d) CERTAIN RULES TO APPLY.—For purposes of this section, rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (f) and (g), of section 1400B shall apply; except that for such purposes section 1400B(g)(2) shall be applied by substituting 'January 1, 2001' for 'January 1, 1998' and 'December 31, 2014' for 'December 31, 2007'.

"SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.

"For purposes of this subchapter, the term 'renewal community business' means any entity or proprietorship which would be a qualified business entity or qualified proprietorship under section 1397C if references to renewal communities were substituted for references to empowerment zones in such section.

"PART III—ADDITIONAL INCENTIVES

"Sec. 1400H. Renewal community employment credit.

"Sec. 1400I. Commercial revitalization deduction.

"Sec. 1400J. Increase in expensing under section 179.

"SEC. 1400H. RENEWAL COMMUNITY EMPLOYMENT CREDIT.

"(a) IN GENERAL.—Subject to the modification in subsection (b), a renewal community shall be treated as an empowerment zone for purposes of section 1396.

"(b) MODIFICATION.—In applying section 1396 with respect to renewal communities, the applicable percentage shall be—

"(1) 15 percent in the case of calendar years 2001, 2002, 2003, or 2004, and

"(2) 20 percent in the case of calendar years after 2004 and before 2010.

"SEC. 1400I. COMMERCIAL REVITALIZATION DEDUCTION.

"(a) GENERAL RULE.—At the election of the taxpayer, either—

"(1) one-half of any qualified revitalization expenditures chargeable to capital account with respect to any qualified revitalization building shall be allowable as a deduction for the taxable year in which the building is placed in service, or

"(2) a deduction for all such expenditures shall be allowable ratably over the 120-month period beginning with the month in which the building is placed in service.

"(b) QUALIFIED REVITALIZATION BUILDINGS AND EXPENDITURES.—For purposes of this section—

"(1) QUALIFIED REVITALIZATION BUILDING.—The term 'qualified revitalization building' means any building (and its structural components) if—

"(A) such building is located in a renewal community and is placed in service after December 31, 2000,

"(B) a commercial revitalization deduction amount is allocated to the building under subsection (d), and

"(C) depreciation is allowable with respect to the building (without regard to this section).

"(2) QUALIFIED REVITALIZATION EXPENDITURE.—

"(A) IN GENERAL.—The term 'qualified revitalization expenditure' means any amount properly chargeable to capital account—

"(i) for property for which depreciation is allowable under section 168 (without regard to this section) and which is—

"(I) nonresidential real property, or

"(II) an addition or improvement to property described in subclause (I),

"(ii) in connection with the construction of any qualified revitalization building which was not previously placed in service or in connection with the substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building which was placed in service before the beginning of such rehabilitation, and

"(iii) for land (including land which is functionally related to such property and subordinate thereto).

"(B) DOLLAR LIMITATION.—The aggregate amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building for any taxable year shall not exceed the excess of—

"(i) \$10,000,000, reduced by

"(ii) any such expenditures with respect to the building taken into account by the taxpayer or any predecessor in determining the amount of the deduction under this section for all preceding taxable years.

"(C) CERTAIN EXPENDITURES NOT INCLUDED.—The term 'qualified revitalization expenditure' does not include—

"(i) ACQUISITION COSTS.—The costs of acquiring any building or interest therein and any land in connection with such building to the extent that such costs exceed 30 percent of the qualified revitalization expenditures determined without regard to this clause.

"(ii) CREDITS.—Any expenditure which the taxpayer may take into account in computing any credit allowable under this title unless the taxpayer elects to take the expenditure into account only for purposes of this section.

"(c) LIMITATION ON AGGREGATE EXPENDITURES ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN A STATE.—

"(1) IN GENERAL.—The aggregate qualified revitalization expenditures chargeable to capital account with respect to any building which may be taken into account in determining the deduction under this section with respect to such building shall not exceed the commercial revitalization expenditure amount allocated to such building under this subsection by the commercial revitalization agency. Such allocation shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(h).

"(2) COMMERCIAL REVITALIZATION EXPENDITURE AMOUNT FOR AGENCIES.—

"(A) IN GENERAL.—The aggregate commercial revitalization expenditure amount which a commercial revitalization agency may allocate for any calendar year is the amount of the State commercial revitalization expenditure ceiling determined under this paragraph for such calendar year for such agency.

"(B) STATE COMMERCIAL REVITALIZATION EXPENDITURE CEILING.—The State commercial revitalization expenditure ceiling applicable to any State—

"(i) for each calendar year after 2000 and before 2010 is \$12,000,000 for each renewal community in the State, and

"(ii) for each calendar year thereafter is zero.

“(C) COMMERCIAL REVITALIZATION AGENCY.—For purposes of this section, the term ‘commercial revitalization agency’ means any agency authorized by a State to carry out this section.

“(d) RESPONSIBILITIES OF COMMERCIAL REVITALIZATION AGENCIES.—

“(1) PLANS FOR ALLOCATION.—Notwithstanding any other provision of this section, the commercial revitalization deduction amount with respect to any building shall be zero unless—

“(A) such amount was allocated pursuant to a qualified allocation plan of the commercial revitalization agency which is approved (in accordance with rules similar to the rules of section 147(f)(2) (other than subparagraph (B)(ii) thereof) by the governmental unit of which such agency is a part, and

“(B) such agency notifies the chief executive officer (or its equivalent) of the local jurisdiction within which the building is located of such allocation and provides such individual a reasonable opportunity to comment on the allocation.

“(2) QUALIFIED ALLOCATION PLAN.—For purposes of this subsection, the term ‘qualified allocation plan’ means any plan—

“(A) which sets forth selection criteria to be used to determine priorities of the commercial revitalization agency which are appropriate to local conditions,

“(B) which considers—

“(i) the degree to which a project contributes to the implementation of a strategic plan that is devised for a renewal community through a citizen participation process,

“(ii) the amount of any increase in permanent, full-time employment by reason of any project, and

“(iii) the active involvement of residents and nonprofit groups within the renewal community, and

“(C) which provides a procedure that the agency (or its agent) will follow in monitoring compliance with this section.

“(e) SPECIAL RULES.—

“(1) DEDUCTION IN LIEU OF DEPRECIATION.—The deduction provided by this section for qualified revitalization expenditures shall—

“(A) with respect to the deduction determined under subsection (a)(1), be in lieu of any depreciation deduction otherwise allowable on account of ½ of such expenditures, and

“(B) with respect to the deduction determined under subsection (a)(2), be in lieu of any depreciation deduction otherwise allowable on account of all of such expenditures.

“(2) BASIS ADJUSTMENT, ETC.—For purposes of sections 1016 and 1250, the deduction under this section shall be treated in the same manner as a depreciation deduction.

“(3) SUBSTANTIAL REHABILITATIONS TREATED AS SEPARATE BUILDINGS.—A substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building shall be treated as a separate building for purposes of subsection (a).

“(4) CLARIFICATION OF ALLOWANCE OF DEDUCTION UNDER MINIMUM TAX.—Notwithstanding section 56(a)(1), the deduction under this section shall be allowed in determining alternative minimum taxable income under section 55.

“(f) REGULATIONS.—For purposes of this section, the Secretary shall, by regulations, provide for the application of rules similar to the rules of section 49 and subsections (a) and (b) of section 50.

“(g) TERMINATION.—This section shall not apply to any building placed in service after December 31, 2009.

“SEC. 1400J. INCREASE IN EXPENSING UNDER SECTION 179.

“(a) IN GENERAL.—For purposes of section 1397A—

“(1) a renewal community shall be treated as an empowerment zone,

“(2) a renewal community business shall be treated as an empowerment zone business, and

“(3) qualified renewal property shall be treated as enterprise zone property.

“(b) QUALIFIED RENEWAL PROPERTY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified renewal property’ means any property to which section 168 applies (or would apply but for section 179) if—

“(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2010, and

“(B) such property would be qualified zone property (as defined in section 1397D) if references to renewal communities were substituted for references to empowerment zones in section 1397D.

“(2) CERTAIN RULES TO APPLY.—The rules of subsections (a)(2) and (b) of section 1397D shall apply for purposes of this section.”

(b) EXCEPTION FOR COMMERCIAL REVITALIZATION DEDUCTION FROM PASSIVE LOSS RULES.—

(1) Paragraph (3) of section 469(i) is amended by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively, and by inserting after subparagraph (B) the following new subparagraph:

“(C) EXCEPTION FOR COMMERCIAL REVITALIZATION DEDUCTION.—Subparagraph (A) shall not apply to any portion of the passive activity loss for any taxable year which is attributable to the commercial revitalization deduction under section 1400I.”

(2) Subparagraph (E) of section 469(i)(3), as redesignated by subparagraph (A), is amended to read as follows:

“(E) ORDERING RULES TO REFLECT EXCEPTIONS AND SEPARATE PHASE-OUTS.—If subparagraph (B), (C), or (D) applies for a taxable year, paragraph (1) shall be applied—

“(i) first to the portion of the passive activity loss to which subparagraph (C) does not apply,

“(ii) second to the portion of the passive activity credit to which subparagraph (B) or (D) does not apply,

“(iii) third to the portion of such credit to which subparagraph (B) applies,

“(iv) fourth to the portion of such loss to which subparagraph (C) applies, and

“(v) then to the portion of such credit to which subparagraph (D) applies.”

(3)(A) Subparagraph (B) of section 469(i)(6) is amended by striking “or” at the end of clause (i), by striking the period at the end of clause (ii) and inserting “, or”, and by adding at the end the following new clause:

“(iii) any deduction under section 1400I (relating to commercial revitalization deduction).”

(B) The heading for such subparagraph (B) is amended by striking “OR REHABILITATION CREDIT” and inserting “, REHABILITATION CREDIT, OR COMMERCIAL REVITALIZATION DEDUCTION”.

(c) CLERICAL AMENDMENT.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

“Subchapter X. Renewal Communities.”

SEC. 102. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS TO RENEWAL COMMUNITIES; EXTENSION OF TERMINATION DATE FOR RENEWAL COMMUNITIES AND EMPOWERMENT ZONES.

(a) EXTENSION.—

(1) IN GENERAL.—Subparagraph (A) of section 198(c)(2) (defining targeted area) is amended by striking “and” at the end of clause (iii), by striking the period at the end of clause (iv) and inserting

“, and”, and by adding at the end the following new clause:

“(v) any renewal community (as defined in section 1400E).”

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to expenditures paid or incurred after December 31, 2000.

(b) EXTENSION OF TERMINATION DATE.—Subsection (h) of section 198 is amended by inserting before the period “(December 31, 2009, in the case of an empowerment zone or renewal community)”

SEC. 103. WORK OPPORTUNITY CREDIT FOR HIRING YOUTH RESIDING IN RENEWAL COMMUNITIES.

(a) HIGH-RISK YOUTH.—Subparagraphs (A)(ii) and (B) of section 51(d)(5) are each amended by striking “empowerment zone or enterprise community” and inserting “empowerment zone, enterprise community, or renewal community”.

(b) QUALIFIED SUMMER YOUTH EMPLOYEE.—Clause (iv) of section 51(d)(7)(A) is amended by striking “empowerment zone or enterprise community” and inserting “empowerment zone, enterprise community, or renewal community”.

(c) HEADINGS.—Paragraphs (5)(B) and (7)(C) of section 51(d) are each amended by inserting “OR COMMUNITY” in the heading after “ZONE”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after December 31, 2000.

SEC. 104. EVALUATION AND REPORTING REQUIREMENTS.

Not later than the close of the fourth calendar year after the year in which the Secretary of Housing and Urban Development first designates an area as a renewal community under section 1400E of the Internal Revenue Code of 1986, and at the close of each fourth calendar year thereafter, such Secretary shall prepare and submit to the Congress a report on the effects of such designations in stimulating the creation of new jobs, particularly for disadvantaged workers and long-term unemployed individuals, and promoting the revitalization of economically distressed areas.

SEC. 105. EXCLUSION OF EFFECTS OF THIS TITLE FROM PAYGO SCORECARD.

Upon the enactment of this title, the Director of the Office of Management and Budget shall not make any estimates of changes in receipts under section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 resulting from the enactment of this title.

TITLE II—NEW MILLENNIUM CLASSROOMS

SEC. 201. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS, SENIOR CENTERS, PUBLIC LIBRARIES, AND OTHER TRAINING CENTERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

“SEC. 48D. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS, SENIOR CENTERS, PUBLIC LIBRARIES, AND OTHER TRAINING CENTERS.

“(a) GENERAL RULE.—For purposes of section 38, the computer donation credit determined under this section is an amount equal to 50 percent of the qualified computer contributions made by the taxpayer during the taxable year as determined after the application of section 170(e)(6)(A) to any entity located in—

“(1) a renewal community designated under section 1400E,

“(2) an empowerment zone or enterprise community designated under section 1391,

“(3) an Indian reservation (as defined in section 168(j)(6)), or

“(4) a low-income community (as defined in subsection (c)).

“(b) QUALIFIED COMPUTER CONTRIBUTION.—For purposes of this section, the term ‘qualified computer contribution’ has the meaning given the term ‘qualified elementary or secondary educational contribution’ by section 170(e)(6)(B), except that—

“(1) clause (ii) thereof shall be applied—

“(A) by substituting ‘3 years’ for ‘2 years’,

“(B) by inserting ‘or reacquired’ after ‘acquired’, and

“(C) by inserting ‘for the taxpayer’s own use’ after ‘constructed by the taxpayer’.

“(2) clause (iii) thereof shall be applied by inserting ‘, the person from whom the donor reacquires the property,’ after ‘the donor’.

“(3) such term shall include the contribution of a computer (as defined in section 168(i)(2)(B)(ii)) only if computer software (as defined in section 197(e)(3)(B)) that serves as a computer operating system has been lawfully installed in such computer.

“(4) notwithstanding clauses (i) and (iv) of section 170(e)(6)(B), such term shall include the contribution of computer technology or equipment to—

“(A) multipurpose senior centers (as defined in section 102(35) of the Older Americans Act of 1965 (42 U.S.C. 3002(35)), as in effect on the date of the enactment of the American Community Renewal and New Markets Empowerment Act) described in section 501(c)(3) and exempt from tax under section 501(a) to be used by individuals who have attained 60 years of age to improve job skills in computers,

“(B) a public library (within the meaning of section 213(2)(A) of the Library Services and Technology Act (20 U.S.C. 9122(2)(A)), as in effect on the date of the enactment of the American Community Renewal and New Markets Empowerment Act) established and maintained by an entity described in section 170(c)(1), or

“(C) an organization exempt from tax under section 501(a) which provides employment, vocational, and job-training services to individuals with barriers to employment, including welfare recipients and individuals with disabilities, and

“(5) such term shall only include contributions which meet the minimum standards prescribed by the Secretary by regulation, after consultation, at the option of the Secretary, with the National Telecommunications and Information Agency and any other Federal agency with expertise in computer technology.

“(c) LOW-INCOME COMMUNITY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘low-income community’ means any population census tract if—

“(A)(i) the poverty rate for such tract is at least 20 percent, or

“(ii)(I) in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income, or

“(II) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income, and

“(B) the unemployment rate for such tract, as determined by the most recent available data, was at least 1½ times the national unemployment rate for the period to which such data relate.

“(2) AREAS NOT WITHIN CENSUS TRACTS.—In the case of an area which is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of

the Census for purposes of defining poverty areas) shall be used for purposes of determining poverty rates, median family income, and unemployment rates.

“(d) CERTAIN RULES MADE APPLICABLE.—For purposes of this section, rules similar to the rules of paragraphs (1) and (2) of section 41(f) shall apply.

“(e) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 2009.”.

(b) CURRENT YEAR BUSINESS CREDIT CALCULATION.—Section 38(b) (relating to current year business credit) is amended by striking “plus” at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting “, plus”, and by adding at the end the following:

“(13) the computer donation credit determined under section 45D(a).”.

(c) DISALLOWANCE OF DEDUCTION BY AMOUNT OF CREDIT.—Section 280C (relating to certain expenses for which credits are allowable) is amended by adding at the end the following:

“(d) CREDIT FOR COMPUTER DONATIONS.—No deduction shall be allowed for that portion of the qualified computer contributions (as defined in section 45D(b)) made during the taxable year that is equal to the amount of credit determined for the taxable year under section 45D(a). In the case of a corporation which is a member of a controlled group of corporations (within the meaning of section 52(a)) or a trade or business which is treated as being under common control with other trades or businesses (within the meaning of section 52(b)), this subsection shall be applied under rules prescribed by the Secretary similar to the rules applicable under subsections (a) and (b) of section 52.”.

(d) LIMITATION ON CARRYBACK.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits) is amended by adding at the end the following:

“(9) NO CARRYBACK OF COMPUTER DONATION CREDIT BEFORE EFFECTIVE DATE.—No amount of unused business credit available under section 45D may be carried back to a taxable year beginning on or before the date of the enactment of this paragraph.”.

(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 45C the following:

“Sec. 45D. Credit for computer donations to schools, senior centers, public libraries, and other training centers.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2000.

TITLE III—EXPANSION AND EXTENSION OF EMPOWERMENT ZONE TAX INCENTIVES

SEC. 301. ADDITIONAL EMPOWERMENT ZONE DESIGNATIONS.

Section 1391 is amended by adding at the end the following new subsection:

“(h) ADDITIONAL DESIGNATIONS PERMITTED.—

“(1) IN GENERAL.—In addition to the areas designated under subsections (a) and (g), the appropriate Secretaries may designate in the aggregate an additional 9 nominated areas as empowerment zones under this section, subject to the availability of eligible nominated areas. Of that number, not more than 7 may be designated in urban areas and not more than 2 may be designated in rural areas.

“(2) PERIOD DESIGNATIONS MAY BE MADE AND TAKE EFFECT.—A designation may be made under this subsection after the date of the enactment of this subsection and before January 1, 2001. Subject to subparagraphs (B)

and (C) of subsection (d)(1), such designations shall remain in effect during the period beginning on January 1, 2001, and ending on December 31, 2009.

“(3) MODIFICATIONS TO ELIGIBILITY CRITERIA, ETC.—The rules of subsection (g)(3) shall apply to designations under this subsection.

“(4) EMPOWERMENT ZONES WHICH BECOME RENEWAL COMMUNITIES.—The number of areas which may be designated as empowerment zones under this subsection shall be increased by 1 for each area which ceases to be an empowerment zone by reason of section 1400E(e). Each additional area designated by reason of the preceding sentence shall have the same urban or rural character as the area it is replacing.”.

SEC. 302. EXTENSION OF ENTERPRISE ZONE TREATMENT THROUGH 2009.

Subparagraph (A) of section 1391(d)(1) (relating to period for which designation is in effect) is amended to read as follows:

“(A) December 31, 2009.”.

SEC. 303. 20 PERCENT EMPLOYMENT CREDIT FOR ALL EMPOWERMENT ZONES.

(a) 20 PERCENT CREDIT.—Subsection (b) of section 1396 (relating to empowerment zone employment credit) is amended to read as follows:

“(b) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage is 20 percent.”.

(b) ALL EMPOWERMENT ZONES ELIGIBLE FOR CREDIT.—Section 1396 is amended by striking subsection (e).

(c) CONFORMING AMENDMENT.—Subsection (d) of section 1400 is amended to read as follows:

“(d) SPECIAL RULE FOR APPLICATION OF EMPLOYMENT CREDIT.—With respect to the DC Zone, section 1396(d)(1)(B) (relating to empowerment zone employment credit) shall be applied by substituting ‘the District of Columbia’ for ‘such empowerment zone’.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to wages paid or incurred after December 31, 2000.

SEC. 304. INCREASED EXPENSING UNDER SECTION 179.

(a) IN GENERAL.—Subparagraph (A) of section 1397A(a)(1) is amended by striking “\$20,000” and inserting “\$35,000”.

(b) EXPENSING FOR PROPERTY USED IN DEVELOPABLE SITES.—Section 1397A is amended by striking subsection (c).

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2000.

SEC. 305. HIGHER LIMITS ON TAX-EXEMPT EMPOWERMENT ZONE FACILITY BONDS.

(a) IN GENERAL.—Paragraph (3) of section 1394(f) (relating to bonds for empowerment zones designated under section 1391(g)) is amended to read as follows:

“(3) EMPOWERMENT ZONE FACILITY BOND.—For purposes of this subsection, the term ‘empowerment zone facility bond’ means any bond which would be described in subsection (a) if only empowerment zones were taken into account under sections 1397C and 1397D.”.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (f) of section 1394 is amended by striking “new empowerment zone facility bond” each place it appears and inserting “empowerment zone facility bond”.

(2) The heading for such subsection is amended to read as follows:

“(f) BONDS FOR EMPOWERMENT ZONES.—”.

(3) Paragraph (1) of section 1394(c) is amended—

(A) by striking “empowerment zone or” in subparagraph (A), and

(B) by striking “empowerment zones and” in subparagraph (B).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 2000.

SEC. 306. NONRECOGNITION OF GAIN ON ROLLOVER OF EMPOWERMENT ZONE INVESTMENTS.

(a) IN GENERAL.—Part III of subchapter U of chapter 1 is amended—

(1) by redesignating subpart C as subpart D,

(2) by redesignating sections 1397B and 1397C as sections 1397C and 1397D, respectively, and

(3) by inserting after subpart B the following new subpart:

“Subpart C—Nonrecognition of Gain on Rollover of Empowerment Zone Investments

“Sec. 1397B. Nonrecognition of Gain on Rollover of Empowerment Zone Investments.

“SEC. 1397B. NONRECOGNITION OF GAIN ON ROLLOVER OF EMPOWERMENT ZONE INVESTMENTS.

“(a) NONRECOGNITION OF GAIN.—In the case of any sale of a qualified empowerment zone asset held by the taxpayer for more than 1 year and with respect to which such taxpayer elects the application of this section, gain from such sale shall be recognized only to the extent that the amount realized on such sale exceeds—

“(1) the cost of any qualified empowerment zone asset (with respect to the same zone as the asset sold) purchased by the taxpayer during the 60-day period beginning on the date of such sale, reduced by

“(2) any portion of such cost previously taken into account under this section. This section shall apply only to gain which is qualified capital gain.

“(b) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) QUALIFIED EMPOWERMENT ZONE ASSET.—

“(A) IN GENERAL.—The term ‘qualified empowerment zone asset’ means any property which would be a qualified community asset (as defined in section 1400F) if in section 1400F—

“(i) references to empowerment zones were substituted for references to renewal communities, and

“(ii) references to enterprise zone businesses (as defined in section 1397C) were substituted for references to renewal community businesses.

“(B) TREATMENT OF DC ZONE.—

For termination of rollover with respect to the District of Columbia Enterprise Zone for property acquired after December 31, 2002, see section 1400(f).

“(2) QUALIFIED CAPITAL GAIN.—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term ‘qualified capital gain’ means any gain from the sale or exchange of—

“(i) a capital asset, or

“(ii) property used in the trade or business (as defined in section 1231(b)).

“(B) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (3) and (4) of section 1400B(e) shall apply for purposes of this subsection.

“(3) PURCHASE.—A taxpayer shall be treated as having purchased any property if, but for paragraph (4), the unadjusted basis of such property in the hands of the taxpayer would be its cost (within the meaning of section 1012).

“(4) BASIS ADJUSTMENTS.—If gain from any sale is not recognized by reason of subsection (a), such gain shall be applied to reduce (in the order acquired) the basis for determining gain or loss of any qualified empowerment zone asset which is purchased by the taxpayer during the 60-day period described in subsection (a). This paragraph shall not apply for purposes of section 1202.

“(5) HOLDING PERIOD.—For purposes of determining whether the nonrecognition of gain under subsection (a) applies to any qualified empowerment zone asset which is sold—

“(A) the taxpayer’s holding period for such asset and the asset referred to in subsection (a)(1) shall be determined without regard to section 1223, and

“(B) only the first year of the taxpayer’s holding period for the asset referred to in subsection (a)(1) shall be taken into account for purposes of paragraphs (2)(A)(iii), (3)(C), and (4)(A)(iii) of section 1400F(b).”

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (23) of section 1016(a) is amended—

(A) by striking “or 1045” and inserting “1045, or 1397B”, and

(B) by striking “or 1045(b)(4)” and inserting “1045(b)(4), or 1397B(b)(4)”.’

(2) Paragraph (15) of section 1223 is amended to read as follows:

“(15) Except for purposes of sections 1202(a)(2), 1202(c)(2)(A), 1400B(b), and 1400F(b), in determining the period for which the taxpayer has held property the acquisition of which resulted under section 1045 or 1397B in the nonrecognition of any part of the gain realized on the sale of other property, there shall be included the period for which such other property has been held as of the date of such sale.”

(3) Paragraph (2) of section 1394(b) is amended—

(A) by striking “section 1397C” and inserting “section 1397D”, and

(B) by striking “section 1397C(a)(2)” and inserting “section 1397D(a)(2)”.’

(4) Paragraph (3) of section 1394(b) is amended—

(A) by striking “section 1397B” each place it appears and inserting “section 1397C”, and

(B) by striking “section 1397B(d)” and inserting “section 1397C(d)”.’

(5) Sections 1400(e) and 1400B(c) are each amended by striking “section 1397B” each place it appears and inserting “section 1397C”.

(6) The table of subparts for part III of subchapter U of chapter 1 is amended by striking the last item and inserting the following new items:

“Subpart C. Nonrecognition of gain on rollover of empowerment zone investments.

“Subpart D. General provisions.”

(7) The table of sections for subpart D of such part III is amended to read as follows:

“Sec. 1397C. Enterprise zone business defined.

“Sec. 1397D. Qualified zone property defined.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified empowerment zone assets acquired after December 31, 2000.

SEC. 307. INCREASED EXCLUSION OF GAIN ON SALE OF EMPOWERMENT ZONE STOCK.

(a) IN GENERAL.—Subsection (a) of section 1202 is amended to read as follows:

“(a) EXCLUSION.—

“(1) IN GENERAL.—In the case of a taxpayer other than a corporation, gross income shall not include 50 percent of any gain from the sale or exchange of qualified small business stock held for more than 5 years.

“(2) EMPOWERMENT ZONE BUSINESSES.—

“(A) IN GENERAL.—In the case of qualified small business stock acquired after the date of the enactment of this paragraph in a corporation which is a qualified business entity (as defined in section 1397C(b)) during substantially all of the taxpayer’s holding period for such stock, paragraph (1) shall be ap-

plied by substituting ‘60 percent’ for ‘50 percent’.

“(B) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5) and (7) of section 1400B(b) shall apply for purposes of this paragraph.

“(C) GAIN AFTER 2014 NOT QUALIFIED.—Subparagraph (A) shall not apply to gain attributable to periods after December 31, 2014.”.

(b) CONFORMING AMENDMENT.—Paragraph (8) of section 1(h) is amended by striking “means” and all that follows and inserting “means the excess of—

“(A) the gain which would be excluded from gross income under section 1202 but for the percentage limitation in section 1202(a), over

“(B) the gain excluded from gross income under section 1202.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to stock acquired after December 31, 2000.

SEC. 308. FUNDING ENTITLEMENT FOR ROUND II EMPOWERMENT ZONES.

(a) IN GENERAL.—

(1) ENTITLEMENT.—Section 2007(a)(1) of the Social Security Act (42 U.S.C. 1397f(a)(1)) is amended—

(A) in subparagraph (A), by striking “in the State; and” and inserting “that is in the State and is designated pursuant to section 1391(b) of the Internal Revenue Code of 1986;”;

(B) by adding after subparagraph (B) the following:

“(C)(i) 8 grants under this section for each qualified empowerment zone that is in an urban area in the State and is designated pursuant to section 1391(g) of such Code; and

“(ii) 8 grants under this section for each qualified empowerment zone that is in a rural area in the State and is designated pursuant to section 1391(g) of such Code;

“(D) 8 grants under this section for each qualified enterprise community that is in the State and is designated pursuant to section 766 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999; and

“(E) 1 grant under this section for each strategic planning community.”.

(2) AMOUNT OF GRANTS.—Section 2007(a)(2) of such Act (42 U.S.C. 1397f(a)(2)) is amended—

(A) in the heading of subparagraph (A), by inserting “ORIGINAL” before “EMPOWERMENT”;

(B) in subparagraph (A), in the matter preceding clause (i), by inserting “referred to in paragraph (1)(A)” after “empowerment zone”;

(C) by redesignating subparagraph (C) as subparagraph (F); and

(D) by inserting after subparagraph (B) the following:

“(C) ADDITIONAL EMPOWERMENT GRANTS.—The amount of the grant to a State under this section for a qualified empowerment zone referred to in paragraph (1)(C) shall be—

“(i) if the zone is in an urban area, \$11,675,000 for each of fiscal years 2001 through 2008; or

“(ii) if the zone is in a rural area, \$4,600,000 for each of fiscal years 2001 through 2008,

multiplied by the proportion of the population of the zone that resides in the State.

“(D) ADDITIONAL ENTERPRISE COMMUNITY GRANTS.—The amount of the grant to a State under this section for a qualified enterprise community referred to in paragraph (1)(D) shall be \$2,750,000, multiplied by the proportion of the population of the community that resides in the State.

“(E) STRATEGIC PLANNING COMMUNITY GRANTS.—The amount of the grant to a State under this section for a strategic planning community shall be \$3,000,000, multiplied by

the proportion of the population of the community that resides in the State.”.

(3) TIMING OF GRANTS.—Section 2007(a)(3) of such Act (42 U.S.C. 1397f(a)(3)) is amended—

(A) in the heading of subparagraph (A), by inserting “ORIGINAL” before “QUALIFIED”;

(B) in subparagraph (A), in the matter preceding clause (i), by inserting “referred to in paragraph (1)(A)” after “empowerment zone”; and

(C) by adding after subparagraph (B) the following:

“(C) ADDITIONAL QUALIFIED EMPOWERMENT ZONES.—With respect to each qualified empowerment zone referred to in paragraph (1)(C), the Secretary shall make 1 grant under this section to the State in which the zone lies, on the first day of fiscal year 2001 and of each of the 7 succeeding fiscal years.

“(D) ADDITIONAL QUALIFIED ENTERPRISE COMMUNITIES.—With respect to each qualified enterprise community referred to in paragraph (1)(D), the Secretary shall make 1 grant under this section to the State in which the community lies on the first day of fiscal year 2001 and of each of the 7 succeeding fiscal years.

“(E) STRATEGIC PLANNING COMMUNITIES.—With respect to each strategic planning community, the Secretary shall make 1 grant under this section to the State in which the community is located, on October 1, 2001.”.

(4) FUNDING.—Section 2007(a)(4) of such Act (42 U.S.C. 1397f(a)(4)) is amended—

(A) by striking “(4) FUNDING.—\$1,000,000” and inserting the following:

“(4) FUNDING.—

“(A) ORIGINAL GRANTS.—\$1,000,000”;

(B) by inserting “for empowerment zones and enterprise communities described in subparagraphs (A) and (B) of paragraph (1)” before the period; and

(C) by adding after and below the end the following:

“(B) ADDITIONAL EMPOWERMENT ZONE GRANTS.—\$1,585,000,000 shall be made available to the Secretary for grants under this section for empowerment zones referred to in paragraph (1)(C).

“(C) ADDITIONAL ENTERPRISE COMMUNITY GRANTS.—\$55,000,000 shall be made available to the Secretary for grants under this section for enterprise communities referred to in paragraph (1)(D).

“(D) STRATEGIC PLANNING COMMUNITY GRANTS.—\$45,000,000 shall be made available to the Secretary for grants under this section for strategic planning communities.”.

(5) DIRECT FUNDING FOR INDIAN TRIBES.—Section 2007(a) of such Act (42 U.S.C. 1397f(a)) is amended by adding at the end the following:

“(5) DIRECT FUNDING FOR INDIAN TRIBES.—

“(A) IN GENERAL.—The Secretary may make a grant under this section directly to the governing body of an Indian tribe if—

“(i) the tribe is identified in the strategic plan of a qualified empowerment zone or qualified enterprise community as the entity that assumes sole or primary responsibility for carrying out activities and projects under the grant; and

“(ii) the grant is to be used for activities and projects that are—

“(I) included in the strategic plan of the qualified empowerment zone or qualified enterprise community, consistent with this section; and

“(II) approved by the Secretary of Agriculture, in the case of a qualified empowerment zone or qualified enterprise community in a rural area, or the Secretary of Housing and Urban Development, in the case of a qualified empowerment zone or qualified enterprise community in an urban area.

“(B) RULES OF INTERPRETATION.—

“(i) If grant under this section is made directly to the governing body of an Indian

tribe under subparagraph (A), the tribe shall be considered a State for purposes of this section.

“(ii) This subparagraph shall not be construed as making applicable to this section the provisions of the Indian Self-Determination and Education Assistance Act.”.

(6) DEFINITIONS.—

(A) QUALIFIED ENTERPRISE COMMUNITY.—Section 2007(f)(2)(A) of such Act (42 U.S.C. 1397f(f)(2)(A)) is amended by inserting “or pursuant to section 766 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999” before the semicolon.

(B) STRATEGIC PLAN.—Section 2007(f)(3) of such Act (42 U.S.C. 1397f(f)(3)) is amended by inserting “or under section 766 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999” before the period.

(C) STRATEGIC PLANNING COMMUNITY.—Section 2007(f) of such Act (42 U.S.C. 1397f(f)) is amended by adding at the end the following:

“(7) STRATEGIC PLANNING COMMUNITY.—The term ‘strategic planning community’ means a respondent to the Notice Inviting Applications at 63 Federal Register 19162 (April 16, 1998) whose application was ranked 16th through 30th in the competition that concluded in December 1998.”.

(D) INDIAN TRIBE.—Section 2007(f) of such Act (42 U.S.C. 1397f(f)), as amended by subparagraph (C), is amended by adding at the end the following:

“(8) INDIAN TRIBE.—The term ‘Indian tribe’ means any Indian tribe, band, nation, or other organized group or community, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act, which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians.”.

(b) USE OF GRANT FUNDS.—

(1) REVOLVING LOAN ACTIVITIES.—Section 2007(b) of the Social Security Act (42 U.S.C. 1397f(b)) is amended by adding at the end the following:

“(5) REVOLVING LOAN ACTIVITIES.—

“(A) IN GENERAL.—In order to assist disadvantaged adults and youths in achieving and maintaining economic self-support, a State may use amounts paid under this section to fund revolving loan funds or similar arrangements for the purpose of making loans to residents, institutions, organizations, or businesses that hire disadvantaged adults and youths.

“(B) RULES FOR DISBURSEMENT.—Amounts to be used as described in subparagraph (A) shall be disbursed by the Secretary, consistent with the provisions of the Cash Management Improvement Act and its implementing rules, regulations, and procedures issued by the Secretary of the Treasury—

“(i) in the case of a grant to a revolving loan fund—

“(I) pursuant to a written irrevocable grant commitment; and

“(II) at such time or times as the Secretary determines that the funds are needed to meet the purposes of such commitment; or

“(ii) in the case of a grant for purposes of capitalizing an insured depository institution (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) or an insured credit union (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1742)), at such time or times as the Secretary determines that funds are needed for such capitalization.”.

(2) USE AS NON-FEDERAL SHARE.—Section 2007(b) of such Act (42 U.S.C. 1397f(b)), as amended by paragraph (1), is amended by adding at the end the following:

“(6) A State may use amounts received from a grant under this section to pay all or part of the non-Federal share of expenditures under any other Federal grant to a local public or nonprofit private agency or organization for activities consistent with the purposes of this section, unless the statutory authority for such other grant expressly prohibits counting of Federal grant funds as such non-Federal share.”.

(c) ENVIRONMENTAL REVIEW.—Section 2007 of the Social Security Act (42 U.S.C. 1397f) is amended—

(1) by redesignating subsection (f) as subsection (g); and

(2) by inserting after subsection (e) the following:

“(f) ENVIRONMENTAL REVIEW.—

“(1) EXECUTION OF RESPONSIBILITY BY THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT AND THE SECRETARY OF AGRICULTURE.—

“(A) APPLICABILITY.—This subsection shall apply to grants under this section in connection with empowerment zones, enterprise communities, and strategic planning communities (as defined in subsection (g)).

“(B) EXECUTION OF RESPONSIBILITY.—With respect to grants described in subparagraph (A), the Secretary of Housing and Urban Development and the Secretary of Agriculture, as appropriate, shall execute the responsibilities under the National Environmental Policy Act of 1969 and other provisions of law that further the purposes of such Act (as specified in regulations issued by each such Secretary under paragraph (2)(B)) that would otherwise apply to the Secretary of Health and Human Services, and may provide for the assumption of such responsibilities in accordance with paragraphs (2) through (5).

“(C) DEFINITION OF SECRETARY.—Except as otherwise specified, in this subsection, the term ‘Secretary’ means the Secretary of Housing and Urban Development for purposes of grants under this section with respect to qualified empowerment zones and qualified enterprise communities in urban areas, and strategic planning areas, and the Secretary of Agriculture for purposes of grants under this section with respect to qualified empowerment zones and qualified enterprise communities in rural areas.

“(2) ASSUMPTION OF RESPONSIBILITY BY STATES, UNITS OF GENERAL LOCAL GOVERNMENT, AND INDIAN TRIBES.—

“(A) RELEASE OF FUNDS.—In order to assure that the policies of the National Environmental Policy Act of 1969 and other provisions of law that further the purposes of such Act (as specified in regulations issued by the Secretary under subparagraph (B)) are most effectively implemented in connection with the expenditure of funds under this section, and to assure to the public undiminished protection of the environment, the Secretary may, under such regulations, in lieu of the environmental protection procedures otherwise applicable, provide for the release of funds for particular projects to recipients of assistance under this section if the State, unit of general local government, or Indian tribe, as designated by the Secretary in accordance with regulations issued by the Secretary under subparagraph (B), assumes all of the responsibilities for environmental review, decisionmaking, and action pursuant to such Act, and such other provisions of law as the regulations of the Secretary specify, that would otherwise apply to the Secretary were the Secretary to undertake such projects as Federal projects.

“(B) IMPLEMENTATION.—The Secretary of Housing and Urban Development and the Secretary of Agriculture shall each issue regulations to carry out this subsection only after consultation with the Council on Environmental Quality. Such regulations shall—

“(i) specify any other provisions of law that further the purposes of the National Environmental Policy Act of 1969 and to which the assumption of responsibility as provided in this subsection applies;

“(ii) provide eligibility criteria and procedures for the designation of a State, unit of general local government, or Indian tribe to assume all of the responsibilities described in subparagraph (A);

“(iii) specify the purposes for which funds may be committed without regard to the procedure established under paragraph (3);

“(iv) provide for monitoring of the performance of environmental reviews under this subsection;

“(v) in the discretion of the Secretary, provide for the provision or facilitation of training for such performance; and

“(vi) subject to the discretion of the Secretary, provide for suspension or termination by the Secretary of the assumption under subparagraph (A).

“(C) RESPONSIBILITIES OF STATE, UNIT OF GENERAL LOCAL GOVERNMENT, OR INDIAN TRIBE.—The Secretary's duty under subparagraph (B) shall not be construed to limit any responsibility assumed by a State, unit of general local government, or Indian tribe with respect to any particular release of funds under subparagraph (A).

“(3) PROCEDURE.—The Secretary shall approve the release of funds for projects subject to the procedures authorized by this subsection only if, not less than 15 days prior to such approval and prior to any commitment of funds to such projects (except for such purposes specified in the regulations issued under paragraph (2)(B)), the recipient submits to the Secretary a request for such release accompanied by a certification of the State, unit of general local government, or Indian tribe that meets the requirements of paragraph (4). The approval by the Secretary of any such certification shall be deemed to satisfy the Secretary's responsibilities pursuant to paragraph (1) under the National Environmental Policy Act of 1969 and such other provisions of law as the regulations of the Secretary specify insofar as those responsibilities relate to the releases of funds for projects to be carried out pursuant thereto that are covered by such certification.

“(4) CERTIFICATION.—A certification under the procedures authorized by this subsection shall—

“(A) be in a form acceptable to the Secretary;

“(B) be executed by the chief executive officer or other officer of the State, unit of general local government, or Indian tribe who qualifies under regulations of the Secretary;

“(C) specify that the State, unit of general local government, or Indian tribe under this subsection has fully carried out its responsibilities as described under paragraph (2); and

“(D) specify that the certifying officer—

“(i) consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 and each provision of law specified in regulations issued by the Secretary insofar as the provisions of such Act or other such provisions of law apply pursuant to paragraph (2); and

“(ii) is authorized and consents on behalf of the State, unit of general local government, or Indian tribe and himself or herself to accept the jurisdiction of the Federal courts for the purpose of enforcement of the responsibilities as such an official.

“(5) APPROVAL BY STATES.—In cases in which a unit of general local government carries out the responsibilities described in paragraph (2), the Secretary may permit the State to perform those actions of the Secretary described in paragraph (3). The per-

formance of such actions by the State, where permitted, shall be deemed to satisfy the responsibilities referred to in the second sentence of paragraph (3).”

SEC. 309. RULES REGARDING QUALIFIED ISSUES.

(a) IN GENERAL.—In the case of a qualified issue (as defined in subsection (c)), section 1394(c)(1) of the Internal Revenue Code of 1986 shall be applied by substituting “\$200,000,000” for the dollar amounts contained in such section, and section 1394(a) of such Code shall be applied by treating a qualified facility (as defined in subsection (c)) as an enterprise zone facility without regard to the requirements of subsections (b) and (e) of section 1394 of such Code.

(b) SPECIAL RULES REGARDING QUALIFIED ISSUES.—A qualified issue—

(1) shall not be treated as an issue of private activity bonds for purposes of sections 57(a)(5) and 146(a) of the Internal Revenue Code of 1986;

(2) shall be subject to section 147(e) of such Code determined without regard to the phrase “skybox or other private luxury box”;

(3) shall not cause the qualified facility to be treated as tax-exempt use property or tax-exempt bond financed property for purposes of section 168(g) of such Code; and

(4) shall be treated as financing capital expenditures relating to the qualified facility (to the extent such capital expenditures were actually paid in an amount not exceeding the amount of the indebtedness being refinanced) without regard to any regulations pertaining to the allocation of bond proceeds to expenses (including expenses paid prior to the issuance of the bonds).

(c) DEFINITIONS.—For purposes of this section—

(1) QUALIFIED ISSUE.—The term “qualified issue” means an issue of bonds (including an issue in a series of refunding issues) issued to refinance the outstanding indebtedness incurred in connection with a qualified facility.

(2) QUALIFIED FACILITY.—The term “qualified facility” means an enclosed, mixed-use entertainment, conference, and sports complex located in the District of Columbia Enterprise Zone, which held its first professional sports event on December 2, 1997, including all related facilities and costs.

SEC. 310. CUSTOMS USER FEES.

Section 13031(j)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(j)(3)) is amended by striking “2003” and inserting “2008”.

TITLE IV—FAITH BASED SUBSTANCE ABUSE TREATMENT

SEC. 401. PREVENTION AND TREATMENT OF SUBSTANCE ABUSE; SERVICES PROVIDED THROUGH RELIGIOUS ORGANIZATIONS.

Title V of the Public Health Service Act (42 U.S.C. 290aa et seq.) is amended by adding at the end the following part:

“PART G—SERVICES PROVIDED THROUGH RELIGIOUS ORGANIZATIONS

“SEC. 581. APPLICABILITY TO DESIGNATED PROGRAMS.

“(a) DESIGNATED PROGRAMS.—Subject to subsection (b), this part applies to discretionary and formula grant programs administered by the Substance Abuse and Mental Health Services Administration that make awards of Federal financial assistance to public or private entities for the purpose of carrying out activities to prevent or treat substance abuse (in this part referred to as a “designated program”). Designated programs include the program under subpart II of part B of title XIX (relating to formula grants to the States).

“(b) LIMITATION.—This part does not apply to any award of Federal financial assistance

under a designated program for a purpose other than the purpose specified in subsection (a).

“(c) DEFINITIONS.—For purposes of this part (and subject to subsection (b)):

“(1) The term ‘designated award recipient’ means a public or private entity that has received an award of financial assistance under a designated program (whether the award is a designated direct award or a designated subaward).

“(2) The term ‘designated direct award’ means an award of financial assistance under a designated program that is received directly from the Federal Government.

“(3) The term ‘designated subaward’ means an award of financial assistance made by a non-Federal entity, which award consists in whole or in part of Federal financial assistance provided through an award under a designated program.

“(4) The term ‘designated program’ has the meaning given such term in subsection (a).

“(5) The term ‘financial assistance’ means a grant, cooperative agreement, contract, or voucherized assistance.

“(6) The term ‘program beneficiary’ means an individual who receives program services.

“(7) The term ‘program participant’ has the meaning given such term in section 582(a)(2).

“(8) The term ‘program services’ means treatment for substance abuse, or preventive services regarding such abuse, provided pursuant to an award of financial assistance under a designated program.

“(9) The term ‘religious organization’ means a nonprofit religious organization.

“(10) The term ‘voucherized assistance’ means—

“(A) a system of selecting and reimbursing program services in which—

“(i) the beneficiary is given a document or other authorization that may be used to pay for program services;

“(ii) the beneficiary chooses the organization that will provide services to him or her according to rules specified by the designated award recipient; and

“(iii) the organization selected by the beneficiary is reimbursed by the designated award recipient for program services provided; or

“(B) any other mode of financial assistance to pay for program services in which the program beneficiary determines the allocation of program funds through his or her selection of one service provider from among alternatives.

“SEC. 582. RELIGIOUS ORGANIZATIONS AS PROGRAM PARTICIPANTS.

“(a) IN GENERAL.—

“(1) SCOPE OF AUTHORITY.—Notwithstanding any other provision of law, a religious organization—

“(A) may be a designated award recipient;

“(B) may make designated subawards to other public or nonprofit private entities (including other religious organizations);

“(C) may provide for the provision of program services to program beneficiaries through the use of voucherized assistance; and

“(D) may be a provider of services under a designated program, including a provider that accepts voucherized assistance.

“(2) DEFINITION OF PROGRAM PARTICIPANT.—For purposes of this part, the term ‘program participant’ means a public or private entity that has received a designated direct award, or a designated subaward, regardless of whether the entity provides program services. Such term includes an entity whose only participation in a designated program is to provide program services pursuant to the acceptance of voucherized assistance.

“(b) RELIGIOUS ORGANIZATIONS.—The purpose of this section is to allow religious organizations to be program participants on the same basis as any other nonprofit private provider without impairing the religious character of such organizations, and without diminishing the religious freedom of program beneficiaries.

“(c) NONDISCRIMINATION AGAINST RELIGIOUS ORGANIZATIONS.—

“(1) ELIGIBILITY AS PROGRAM PARTICIPANTS.—Religious organizations are eligible to be program participants on the same basis as any other nonprofit private organization as long as the programs are implemented consistent with the Establishment Clause of the First Amendment to the United States Constitution. The Federal Government may under the preceding sentence apply to religious organizations the same eligibility conditions in designated programs as are applied to any nonprofit private organization as long as the conditions are consistent with the Free Exercise Clause of the First Amendment.

“(2) NONDISCRIMINATION.—Neither the Federal Government nor a State receiving funds under such programs shall discriminate against an organization that is or applies to be a program participant on the basis that the organization has a religious character.

“(d) RELIGIOUS CHARACTER AND FREEDOM.—

“(1) RELIGIOUS ORGANIZATIONS.—Except as provided in this section, any religious organization that is a program participant shall retain its independence from Federal, State, and local government, including such organization's control over the definition, development, practice, and expression of its religious beliefs.

“(2) ADDITIONAL SAFEGUARDS.—Neither the Federal Government nor a State shall require a religious organization to—

“(A) alter its form of internal governance; or

“(B) remove religious art, icons, scripture, or other symbols; in order to be a program participant.

“(e) EMPLOYMENT PRACTICES.—A religious organization's exemption provided under section 702 of the Civil Rights Act of 1964 regarding employment practices shall not be affected by its participation in, or receipt of funds from, a designated program.

“(f) RIGHTS OF PROGRAM BENEFICIARIES.—

“(1) IN GENERAL.—With respect to an individual who is a program beneficiary or a prospective program beneficiary, if the individual objects to a program participant on the basis that the participant is a religious organization, the following applies:

“(A) If the organization received a designated direct award, the organization shall refer the individual to an alternative entity that provides program services and shall, to the extent practicable, provide appropriate follow-up services.

“(B) If the organization received a designated subaward, the non-Federal entity that made the subaward shall refer the individual to an alternative entity that provides program services and shall, to the extent practicable, provide appropriate follow-up services.

“(C) If the organization is providing services pursuant to voucherized assistance, the designated award recipient that operates the voucherized assistance program shall refer the individual to an alternative entity that provides program services and shall, to the extent practicable, provide appropriate follow-up services.

“(D) If the local government involved makes available a list of entities in the geographic area that provide program services, the program participant with the responsibility for making the referral under subparagraph (A), (B), or (C), as the case may be,

shall obtain a copy of such list and consider the list in making the referral (except that this subparagraph does not apply if the program participant is the local government or the State).

“(E) Referrals under any of subparagraphs (A) through (C) shall be made to alternative entities that will provide program services the monetary value of which is not less than the monetary value of the program services that the individual would have received from the religious organization involved.

“(2) NONDISCRIMINATION.—Except as otherwise provided in law, a religious organization that is a program participant shall not in providing program services discriminate against a program beneficiary on the basis of religion or religious belief.

“(g) FISCAL ACCOUNTABILITY.—

“(1) IN GENERAL.—Except as provided in paragraph (2), any religious organization that is a program participant shall be subject to the same regulations as other recipients of awards of Federal financial assistance to account, in accordance with generally accepted auditing principles, for the use of the funds provided under such awards.

“(2) LIMITED AUDIT.—With respect to the award involved, if a religious organization that is a program participant maintains the Federal funds in a separate account from non-Federal funds, then only the Federal funds shall be subject to audit.

“(h) COMPLIANCE.—With respect to compliance with this section by an agency, a religious organization may obtain judicial review of agency action in accordance with chapter 7 of title 5, United States Code.

“SEC. 583. LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.

“(a) IN GENERAL.—Except as provided in subsection (b), no funds provided directly to an entity under a designated program shall be expended for sectarian worship or instruction.

“(b) EXCEPTION.—Subsection (a) shall not apply to assistance provided to or on behalf of a program beneficiary if the beneficiary may choose where such assistance is deemed or allocated.

“SEC. 584. FINANCIAL ASSISTANCE NOT AID TO INSTITUTIONS.

“Financial assistance under a designated program is aid to the beneficiary, not to the organization providing program services.

“SEC. 585. EDUCATIONAL REQUIREMENTS FOR PERSONNEL IN DRUG TREATMENT PROGRAMS.

“(a) FINDINGS.—The Congress finds that—

“(1) establishing formal educational qualification for counselors and other personnel in drug treatment programs may undermine the effectiveness of such programs; and

“(2) such formal educational requirements for counselors and other personnel may hinder or prevent the provision of needed drug treatment services.

“(b) LIMITATION ON EDUCATIONAL REQUIREMENTS OF PERSONNEL.—

“(1) TREATMENT OF RELIGIOUS EDUCATION.—

“(A) IN GENERAL.—If any State or local government that is a program participant imposes formal educational qualifications on providers of program services, including religious organizations, such State or local government shall treat religious education and training of personnel as having a critical and positive role in the delivery of program services.

“(B) EDUCATION AND TRAINING ON PREVENTION AND TREATMENT OF SUBSTANCE ABUSE.—In applying to religious organizations educational qualifications for personnel of such organizations who provide program services, a State or local government that is a program participant shall, with respect to education and training on preventing and treat-

ing substance abuse, give credit for such education and training that is provided by religious organizations equivalent to credit given for secular course work that provides such education and training.

“(C) GENERAL EDUCATIONAL REQUIREMENTS.—In applying to religious organizations educational qualifications for personnel of such organizations who provide program services, a State or local government that is a program participant shall, if such qualifications include course work that does not relate specifically to preventing or treating substance abuse, give credit for religious education equivalent to credit given for secular course work.

“(2) RESTRICTION OF DISCRIMINATION REQUIREMENTS.—

“(A) IN GENERAL.—Subject to paragraph (1), a State or local government that is a program participant may establish formal educational qualifications for personnel in organizations providing program services that contribute to success in reducing drug use among program beneficiaries.

“(B) EXCEPTION.—The Secretary shall waive the application of any educational qualification imposed under subparagraph (A) for an individual religious organization, if the Secretary determines that—

“(i) the religious organization has a record of prior successful drug treatment for at least the preceding three years;

“(ii) the educational qualifications have effectively barred such religious organization from becoming a program provider;

“(iii) the organization has applied to the Secretary to waive the qualifications; and

“(iv) the State or local government has failed to demonstrate empirically that the educational qualifications in question are necessary to the successful operation of a drug treatment program.”

TITLE V—HOMEOWNERSHIP

SEC. 501. TRANSFER OF UNOCCUPIED AND SUBSTANDARD HUD-HELD HOUSING TO LOCAL GOVERNMENTS AND COMMUNITY DEVELOPMENT CORPORATIONS.

Section 204 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997 (12 U.S.C. 1715z-11a) is amended—

(1) by striking “FLEXIBLE AUTHORITY.—” and inserting “DISPOSITION OF HUD-OWNED PROPERTIES. (a) FLEXIBLE AUTHORITY FOR MULTIFAMILY PROJECTS.—”; and

(2) by adding at the end the following new subsection:

“(b) TRANSFER OF UNOCCUPIED AND SUBSTANDARD HOUSING TO LOCAL GOVERNMENTS AND COMMUNITY DEVELOPMENT CORPORATIONS.—

“(1) TRANSFER AUTHORITY.—Notwithstanding the authority under subsection (a) and the last sentence of section 204(g) of the National Housing Act (12 U.S.C. 1710(g)), the Secretary of Housing and Urban Development shall transfer ownership of any qualified HUD property, subject to the requirements of this section, to a unit of general local government having jurisdiction for the area in which the property is located or to a community development corporation which operates within such a unit of general local government in accordance with this subsection, but only to the extent that units of general local government and community development corporations consent to transfer and the Secretary determines that such transfer is practicable.

“(2) QUALIFIED HUD PROPERTIES.—For purposes of this subsection, the term ‘qualified HUD property’ means any property for which, as of the date that notification of the property is first made under paragraph (3)(B), not less than 6 months have elapsed since the later of the date that the property

was acquired by the Secretary or the date that the property was determined to be unoccupied or substandard, that is owned by the Secretary and is—

“(A) an unoccupied multifamily housing project;

“(B) a substandard multifamily housing project; or

“(C) an unoccupied single family property that—

“(i) has been determined by the Secretary not to be an eligible asset under section 204(h) of the National Housing Act (12 U.S.C. 1710(h)); or

“(ii) is an eligible asset under such section 204(h), but—

“(I) is not subject to a specific sale agreement under such section; and

“(II) has been determined by the Secretary to be inappropriate for continued inclusion in the program under such section 204(h) pursuant to paragraph (10) of such section.

“(3) TIMING.—The Secretary shall establish procedures that provide for—

“(A) time deadlines for transfers under this subsection;

“(B) notification to units of general local government and community development corporations of qualified HUD properties in their jurisdictions;

“(C) such units and corporations to express interest in the transfer under this subsection of such properties;

“(D) a right of first refusal for transfer of qualified HUD properties to units of general local government and community development corporations, under which—

“(i) the Secretary shall establish a period during which the Secretary may not transfer such properties except to such units and corporations;

“(ii) the Secretary shall offer qualified HUD properties that are single family properties for purchase by units of general local government at a cost of \$1 for each property, but only to the extent that the costs to the Federal Government of disposal at such price do not exceed the costs to the Federal Government of disposing of property subject to the procedures for single family property established by the Secretary pursuant to the authority under the last sentence of section 204(g) of the National Housing Act (12 U.S.C. 1710(g));

“(iii) the Secretary may accept an offer to purchase a property made by a community development corporation only if the offer provides for purchase on a cost recovery basis; and

“(iv) the Secretary shall accept an offer to purchase such a property that is made during such period by such a unit or corporation and that complies with the requirements of this paragraph;

“(E) a written explanation, to any unit of general local government or community development corporation making an offer to purchase a qualified HUD property under this subsection that is not accepted, of the reason that such offer was not acceptable.

“(4) OTHER DISPOSITION.—With respect to any qualified HUD property, if the Secretary does not receive an acceptable offer to purchase the property pursuant to the procedure established under paragraph (3), the Secretary shall dispose of the property to the unit of general local government in which property is located or to community development corporations located in such unit of general local government on a negotiated, competitive bid, or other basis, on such terms as the Secretary deems appropriate.

“(5) SATISFACTION OF INDEBTEDNESS.—Before transferring ownership of any qualified HUD property pursuant to this subsection, the Secretary shall satisfy any indebtedness incurred in connection with the property to

be transferred, by canceling the indebtedness.

“(6) DETERMINATION OF STATUS OF PROPERTIES.—To ensure compliance with the requirements of this subsection, the Secretary shall take the following actions:

“(A) UPON ENACTMENT.—Upon the enactment of this subsection, the Secretary shall promptly assess each residential property owned by the Secretary to determine whether such property is a qualified HUD property.

“(B) UPON ACQUISITION.—Upon acquiring any residential property, the Secretary shall promptly determine whether the property is a qualified HUD property.

“(C) UPDATES.—The Secretary shall periodically reassess the residential properties owned by the Secretary to determine whether any such properties have become qualified HUD properties.

“(7) TENANT LEASES.—This subsection shall not affect the terms or the enforceability of any contract or lease entered into with respect to any residential property before the date that such property becomes a qualified HUD property.

“(8) USE OF PROPERTY.—Property transferred under this subsection shall be used only for appropriate neighborhood revitalization efforts, including homeownership, rental units, commercial space, and parks, consistent with local zoning regulations, local building codes, and subdivision regulations and restrictions of record.

“(9) INAPPLICABILITY TO PROPERTIES MADE AVAILABLE FOR HOMELESS.—Notwithstanding any other provision of this subsection, this subsection shall not apply to any properties that the Secretary determines are to be made available for use by the homeless pursuant to subpart E of part 291 of title 24, Code of Federal Regulations, during the period that the properties are so available.

“(10) PROTECTION OF EXISTING CONTRACTS.—This subsection may not be construed to alter, affect, or annul any legally binding obligations entered into with respect to a qualified HUD property before the property becomes a qualified HUD property.

“(11) DEFINITIONS.—For purposes of this subsection, the following definitions shall apply:

“(A) COMMUNITY DEVELOPMENT CORPORATION.—The term ‘community development corporation’ means a nonprofit organization whose primary purpose is to promote community development by providing housing opportunities for low-income families.

“(B) COST RECOVERY BASIS.—The term ‘cost recovery basis’ means, with respect to any sale of a residential property by the Secretary, that the purchase price paid by the purchaser is equal to or greater than the sum of (i) the appraised value of the property, as determined in accordance with such requirements as the Secretary shall establish, and (ii) the costs incurred by the Secretary in connection with such property during the period beginning on the date on which the Secretary acquires title to the property and ending on the date on which the sale is consummated.

“(C) MULTIFAMILY HOUSING PROJECT.—The term ‘multifamily housing project’ has the meaning given the term in section 203 of the Housing and Community Development Amendments of 1978.

“(D) RESIDENTIAL PROPERTY.—The term ‘residential property’ means a property that is a multifamily housing project or a single family property.

“(E) SECRETARY.—The term ‘Secretary’ means the Secretary of Housing and Urban Development.

“(F) SEVERE PHYSICAL PROBLEMS.—The term ‘severe physical problems’ means, with respect to a dwelling unit, that the unit—

“(i) lacks hot or cold piped water, a flush toilet, or both a bathtub and a shower in the unit, for the exclusive use of that unit;

“(ii) on not less than three separate occasions during the preceding winter months, was uncomfortably cold for a period of more than 6 consecutive hours due to a malfunction of the heating system for the unit;

“(iii) has no functioning electrical service, exposed wiring, any room in which there is not a functioning electrical outlet, or has experienced three or more blown fuses or tripped circuit breakers during the preceding 90-day period;

“(iv) is accessible through a public hallway in which there are no working light fixtures, loose or missing steps or railings, and no elevator; or

“(v) has severe maintenance problems, including water leaks involving the roof, windows, doors, basement, or pipes or plumbing fixtures, holes or open cracks in walls or ceilings, severe paint peeling or broken plaster, and signs of rodent infestation.

“(G) SINGLE FAMILY PROPERTY.—The term ‘single family property’ means a 1- to 4-family residence.

“(H) SUBSTANDARD.—The term ‘substandard’ means, with respect to a multifamily housing project, that 25 percent or more of the dwelling units in the project have severe physical problems.

“(I) UNIT OF GENERAL LOCAL GOVERNMENT.—The term ‘unit of general local government’ has the meaning given such term in section 102(a) of the Housing and Community Development Act of 1974.

“(J) UNOCCUPIED.—The term ‘unoccupied’ means, with respect to a residential property, that the unit of general local government having jurisdiction over the area in which the project is located has certified in writing that the property is not inhabited.

“(12) REGULATIONS.—

“(A) INTERIM.—Not later than 30 days after the date of the enactment of this subsection, the Secretary shall issue such interim regulations as are necessary to carry out this subsection.

“(B) FINAL.—Not later than 60 days after the date of the enactment of this subsection, the Secretary shall issue such final regulations as are necessary to carry out this subsection.”

SEC. 502. TRANSFER OF HUD ASSETS IN REVITALIZATION AREAS.

In carrying out the program under section 204(h) of the National Housing Act (12 U.S.C. 1710(h)), upon the request of the chief executive officer of a county or the government of appropriate jurisdiction and not later than 60 days after such request is made, the Secretary of Housing and Urban Development shall designate as a revitalization area all portions of such county that meet the criteria for such designation under paragraph (3) of such section.

SEC. 503. RISK-SHARING DEMONSTRATION.

Section 249 of the National Housing Act (12 U.S.C. 1715z-14) is amended—

(1) by striking the section heading and inserting the following:

“RISK-SHARING DEMONSTRATION”;

(2) by striking “reinsurance” each place such term appears and insert “risk-sharing”;

(3) in subsection (a)—

(A) in the first sentence, by inserting “and insured community development financial institutions” after “private mortgage insurers”;

(B) in the second sentence—

(i) by striking “two” and inserting “4”;

and

(ii) by striking “March 15, 1988” and inserting “the expiration of the 5-year period beginning on the date of the enactment of the American Community Renewal and New Markets Empowerment Act”;

(C) in the last sentence, by striking "10 percent" and inserting "20 percent";

(4) in subsection (b)—

(A) in the first sentence, by inserting "and with insured community development financial institutions" before the period at the end;

(B) in the first sentence, by striking "which have been determined to be qualified insurers under section 302(b)(2)(C)";

(C) in the second sentence, by inserting "and insured community development financial institutions" after "private mortgage insurance companies";

(D) by striking paragraph (1) and inserting the following new paragraph:

"(1) assume the first loss on any mortgage insured pursuant to section 203(b), 234, or 245 that covers a one- to four-family dwelling and is included in the program under this section, up to the percentage of loss that is set forth in the risk-sharing contract;" and

(E) in paragraph (2)—

(i) by striking "carry out (under appropriate delegation) such" and inserting "delegate underwriting,"; and

(ii) by striking "function" and inserting "functions";

(5) in subsection (c)—

(A) in the first sentence—

(i) by striking "of" the first place it appears and insert "for";

(ii) by striking "insurance reserves" and inserting "loss reserves"; and

(iii) by striking "such insurance" and inserting "such reserves"; and

(B) in the second sentence, by inserting "or insured community development financial institution" after "private mortgage insurance company";

(6) in subsection (d), by inserting "or insured community development financial institution" after "private mortgage insurance company"; and

(7) by adding at the end the following new subsection:

"(e) **INSURED COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS.**—For purposes of this section, the term 'insured community development financial institution' means a community development financial institution, as such term is defined in section 103 of Reigle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4702) that is an insured depository institution (as such term is defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) or an insured credit union (as such term is defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752))."

TITLE VI—AMERICA'S PRIVATE INVESTMENT COMPANIES

SEC. 601. SHORT TITLE.

This title may be cited as the "America's Private Investment Companies Act".

SEC. 602. FINDINGS AND PURPOSES.

(a) **FINDINGS.**—The Congress finds that—

(1) people living in distressed areas, both urban and rural, that are characterized by high levels of joblessness, poverty, and low incomes have not benefited adequately from the economic expansion experienced by the Nation as a whole;

(2) unequal access to economic opportunities continues to make the social costs of joblessness and poverty to our Nation very high; and

(3) there are significant untapped markets in our Nation, and many of these are in areas that are underserved by institutions that can make equity and credit investments.

(b) **PURPOSES.**—The purposes of this title are to—

(1) license private for profit community development entities that will focus on making equity and credit investments for large-scale business developments that benefit low-income communities;

(2) provide credit enhancement for those entities for use in low-income communities; and

(3) provide a vehicle under which the economic and social returns on financial investments made pursuant to this title may be available both to the investors in these entities and to the residents of the low-income communities.

SEC. 603. DEFINITIONS.

As used in this title:

(1) **ADMINISTRATOR.**—The term "Administrator" means the Administrator of the Small Business Administration.

(2) **AGENCY.**—The term "agency" has the meaning given such term in section 551(1) of title 5, United States Code.

(3) **APIC.**—The term "APIC" means a business entity that has been licensed under the terms of this title as an America's Private Investment Company, and the license of which has not been revoked.

(4) **COMMUNITY DEVELOPMENT ENTITY.**—The term "community development entity" means an entity the primary mission of which is serving or providing investment capital for low-income communities or low-income persons and which maintains accountability to residents of low-income communities.

(5) **HUD.**—The term "HUD" means the Secretary of Housing and Urban Development or the Department of Housing and Urban Development, as the context requires.

(6) **LICENSE.**—The term "license" means a license issued by HUD as provided in section 604.

(7) **LOW-INCOME COMMUNITY.**—The term "low-income community" means—

(A) a census tract or tracts that have—

(i) a poverty rate of 20 percent or greater, based on the most recent census data; or

(ii) a median family income that does not exceed 80 percent of the greater of (I) the median family income for the metropolitan area in which such census tract or tracts are located, or (II) the median family income for the State in which such census tract or tracts are located; or

(B) a property that was located on a military installation that was closed or realigned pursuant to title II of the Defense Authorization Amendments and Base Closure and Realignment Act (Public Law 100-526; 10 U.S.C. 2687 note), the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2687 note), section 2687 of title 10, United States Code, or any other similar law enacted after the date of the enactment of this Act that provides for closure or realignment of military installations.

(8) **LOW-INCOME PERSON.**—The term "low-income person" means a person who is a member of a low-income family, as such term is defined in section 104 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12704).

(9) **PRIVATE EQUITY CAPITAL.**—

(A) **IN GENERAL.**—The term "private equity capital"—

(i) in the case of a corporate entity, the paid-in capital and paid-in surplus of the corporate entity;

(ii) in the case of a partnership entity, the contributed capital of the partners of the partnership entity;

(iii) in the case of a limited liability company entity, the equity investment of the members of the limited liability company entity; and

(iv) earnings from investments of the entity that are not distributed to investors and are available for reinvestment by the entity.

(B) **EXCLUSIONS.**—Such term does not include any—

(i) funds borrowed by an entity from any source or obtained through the issuance of

leverage; except that this clause may not be construed to exclude amounts evidenced by a legally binding and irrevocable investment commitment in the entity, or the use by an entity of a pledge of such investment commitment to obtain bridge financing from a private lender to fund the entity's activities on an interim basis; or

(ii) funds obtained directly or indirectly from any Federal, State, or local government or any government agency, except for—

(I) funds invested by an employee welfare benefit plan or pension plan; and

(II) credits against any Federal, State, or local taxes.

(10) **QUALIFIED ACTIVE BUSINESS.**—The term "qualified active business" means a business or trade—

(A) that, at the time that an investment is made in the business or trade, is deriving at least 50 percent of its gross income from the conduct of trade or business activities in low-income communities;

(B) a substantial portion of the use of the tangible property of which is used within low-income communities;

(C) a substantial portion of the services that the employees of which perform are performed in low-income communities; and

(D) less than 5 percent of the aggregate unadjusted bases of the property of which is attributable to certain financial property, as the Secretary shall set forth in regulations, or in collectibles, other than collectibles held primarily for sale to customers.

(11) **QUALIFIED DEBENTURE.**—The term "qualified debenture" means a debt instrument having terms that meet the requirements established pursuant to section 606(c)(1).

(12) **QUALIFIED LOW-INCOME COMMUNITY INVESTMENT.**—The term "qualified low-income community investment" mean an equity investment in, or a loan to, a qualified active business.

(13) **SECRETARY.**—The term "Secretary" means the Secretary of Housing and Urban Development, unless otherwise specified in this title.

SEC. 604. AUTHORIZATION.

(a) **LICENSES.**—The Secretary is authorized to license community development entities as America's Private Investment Companies, in accordance with the terms of this title.

(b) **REGULATIONS.**—The Secretary shall regulate APICs for compliance with sound financial management practices, and the program and procedural goals of this title and other related Acts, and other purposes as required or authorized by this title, or determined by the Secretary. The Secretary shall issue such regulations as are necessary to carry out the licensing and regulatory and other duties under this title, and may issue notices and other guidance or directives as the Secretary determines are appropriate to carry out such duties.

(c) **USE OF CREDIT SUBSIDY FOR LICENSES.**—

(1) **NUMBER OF LICENSES.**—The number of APICs licensed at any one time may not exceed—

(A) the number that may be supported by the amount of budget authority appropriated in accordance with section 504(b) of the Federal Credit Reform Act of 1990 (2 U.S.C. 661c) for the cost (as such term is defined in section 502 of such Act) of the subsidy and the investment strategies of such APICs; or

(B) to the extent the limitation under section 605(e)(1) applies, the number authorized under such section.

(2) **USE OF ADDITIONAL CREDIT SUBSIDY.**—Subject to the limitation under paragraph (1), the Secretary may use any budget authority available after credit subsidy has been allocated for the APICs initially licensed pursuant to section 605 as follows:

(A) ADDITIONAL LICENSES.—To license additional APICs.

(B) CREDIT SUBSIDY INCREASES.—To increase the credit subsidy allocated to an APIC as an award for high performance under this title, except that such increases may be made only in accordance with the following requirements and limitations:

(i) TIMING.—An increase may only be provided for an APIC that has been licensed for a period of not less than 2 years.

(ii) COMPETITION.—An increase may only be provided for a fiscal year pursuant to a competition for such fiscal year among APICs eligible for, and requesting, such an increase. The competition shall be based upon criteria that the Secretary shall establish, which shall include the financial soundness and performance of the APICs, as measured by achievement of the public performance goals included in the APICs statements required under section 605(a)(6) and audits conducted under section 609(b)(2). Among the criteria established by the Secretary to determine priority for selection under this section, the Secretary shall include making investments in and loans to qualified active businesses in urban or rural areas that have been designated under subchapter U of Chapter 1 of the Internal Revenue Code of 1986 as empowerment zones or enterprise communities.

(d) COOPERATION AND COORDINATION.—

(1) PROGRAM POLICIES.—The Secretary is authorized to coordinate and cooperate, through memoranda of understanding, an APIC liaison committee, or otherwise, with the Administrator, the Secretary of the Treasury, and other agencies in the discretion of the Secretary, on implementation of this title, including regulation, examination, and monitoring of APICs under this title.

(2) FINANCIAL SOUNDNESS REQUIREMENTS.—The Secretary shall consult with the Administrator and the Secretary of the Treasury, and may consult with such other heads of agencies as the Secretary may consider appropriate, in establishing any regulations, requirements, guidelines, or standards for financial soundness or management practices of APICs or entities applying for licensing as APICs. In implementing and monitoring compliance with any such regulations, requirements, guidelines, and standards, the Secretary shall enter into such agreements and memoranda of understanding with the Administrator and the Secretary of the Treasury as may be appropriate to provide for such officials to provide any assistance that may be agreed to.

(3) OPERATIONS.—The Secretary may carry out this title—

(A) directly, through agreements with other Federal entities under section 1535 of title 31, United States Code, or otherwise, or

(B) indirectly, under contracts or agreements, as the Secretary shall determine.

(e) FEES AND CHARGES FOR ADMINISTRATIVE COSTS.—To the extent provided in appropriations Acts, the Secretary is authorized to impose fees and charges for application, review, licensing, and regulation, or other actions under this title, and to pay for the costs of such activities from the fees and charges collected.

(f) GUARANTEE FEES.—The Secretary is authorized to set and collect fees for loan guarantee commitments and loan guarantees that the Secretary makes under this title.

(g) FUNDING.—

(1) AUTHORIZATION OF APPROPRIATIONS FOR LOAN GUARANTEE COMMITMENTS.—For each of fiscal years 2000, 2001, 2002, 2003, and 2004, there is authorized to be appropriated up to \$36,000,000 for the cost (as such term is defined in section 502(5) of the Federal Credit Reform Act of 1990) of annual loan guarantee commitments under this title. Amounts ap-

propriated under this paragraph shall remain available until expended.

(2) AGGREGATE LOAN GUARANTEE COMMITMENT LIMITATION.—The Secretary may make commitments to guarantee loans only to the extent that the total loan principal, any part of which is guaranteed, will not exceed \$1,000,000,000, unless another such amount is specified in appropriation Acts for any fiscal year.

(3) AUTHORIZATION OF APPROPRIATIONS FOR ADMINISTRATIVE EXPENSES.—For each of the fiscal years 2000, 2001, 2002, 2003, and 2004, there is authorized to be appropriated \$1,000,000 for administrative expenses for carrying out this title. The Secretary may transfer amounts appropriated under this paragraph to any appropriation account of HUD or another agency, to carry out the program under this title. Any agency to which the Secretary may transfer amounts under this title is authorized to accept such transferred amounts in any appropriation account of such agency.

SEC. 605. SELECTION OF APICs.

(a) ELIGIBLE APPLICANTS.—An entity shall be eligible to be selected for licensing under section 604 as an APIC only if the entity submits an application in compliance with the requirements established pursuant to subsection (b) and the entity meets or complies with the following requirements:

(1) ORGANIZATION.—The entity shall be a private, for-profit entity that qualifies as a community development entity for the purposes of the New Markets Tax Credits, to the extent such credits are established under Federal law.

(2) MINIMUM PRIVATE EQUITY CAPITAL.—The amount of private equity capital reasonably available to the entity, as determined by the Secretary, at the time that a license is approved may not be less than \$25,000,000.

(3) QUALIFIED MANAGEMENT.—The management of the entity shall, in the determination of the Secretary, meet such standards as the Secretary shall establish to ensure that the management of the APIC is qualified, and has the financial expertise, knowledge, experience, and capability necessary, to make investments for community and economic development in low-income communities.

(4) CONFLICT OF INTEREST.—The entity shall demonstrate that, in accordance with sound financial management practices, the entity is structured to preclude financial conflict of interest between the APIC and a manager or investor.

(5) INVESTMENT STRATEGY.—The entity shall prepare and submit to the Secretary an investment strategy that includes benchmarks for evaluation of its progress, that includes an analysis of existing locally owned businesses in the communities in which the investments under the strategy will be made, that prioritizes such businesses for investment opportunities, and that fulfills the specific public purpose goals of the entity.

(6) STATEMENT OF PUBLIC PURPOSE GOALS.—The entity shall prepare and submit to the Secretary a statement of the public purpose goals of the entity, which shall—

(A) set forth goals that shall promote community and economic development, which shall include—

(i) making investments in low-income communities that further economic development objectives by targeting such investments in businesses or trades that comply with the requirements under subparagraphs (A) through (C) of section 603(10) relating to low-income communities in a manner that benefits low-income persons;

(ii) creating jobs in low-income communities for residents of such communities;

(iii) involving community-based organizations and residents in community development activities;

(iv) such other goals as the Secretary shall specify; and

(v) such elements as the entity may set forth to achieve specific public purpose goals;

(B) include such other elements as the Secretary shall specify; and

(C) include proposed measurements and strategies for meeting the goals.

(7) COMPLIANCE WITH LAWS.—The entity shall agree to comply with applicable laws, including Federal executive orders, Office of Management and Budget circulars, and requirements of the Department of the Treasury, and such operating and regulatory requirements as the Secretary may impose from time to time.

(8) OTHER.—The entity shall satisfy any other application requirements that the Secretary may impose by regulation or Federal Register notice.

(b) COMPETITIONS.—The Secretary shall select eligible entities under subsection (a) to be licensed under section 604 as APICs on the basis of competitions. The Secretary shall announce each such competition by causing a notice to be published in the Federal Register that invites applications for licenses and sets forth the requirements for application and such other terms of the competition not otherwise provided for, as determined by the Secretary.

(c) SELECTION.—In competitions under subsection (b), the Secretary shall select eligible entities under subsection (a) for licensing as APICs on the basis of—

(1) the extent to which the entity is expected to achieve the goals of this title by meeting or exceeding criteria established under subsection (d); and

(2) to the extent practicable and subject to the existence of approvable applications, ensuring geographical diversity among the applicants selected and diversity of APICs investment strategies, so that urban and rural communities are both served, in the determination of the Secretary, by the program under this title.

(d) SELECTION CRITERIA.—The Secretary shall establish selection criteria for competitions under subsection (b), which shall include the following criteria:

(1) CAPACITY.—

(A) MANAGEMENT.—The extent to which the entity's management has the quality, experience, and expertise to make and manage successful investments for community and economic development in low-income communities.

(B) STATE AND LOCAL COOPERATION.—The extent to which the entity demonstrates a capacity to cooperate with States or units of general local government and with community-based organizations and residents of low-income communities.

(2) INVESTMENT STRATEGY.—The quality of the entity's investment strategy submitted in accordance with subsection (a)(5) and the extent to which the investment strategy furthers the goals of this title pursuant to paragraph (3) of this subsection.

(3) PUBLIC PURPOSE GOALS.—With respect to the statement of public purpose goals of the entity submitted in accordance with subsection (a)(6), and the strategy and measurements included therein—

(A) the extent to which such goals promote community and economic development;

(B) the extent to which such goals provide for making qualified investments in low-income communities that further economic development objectives, such as—

(i) creating, within 2 years of the completion of the initial such investment, job opportunities, opportunities for ownership, and

other economic opportunities within a low-income community, both short-term and of a longer duration;

(ii) improving the economic vitality of a low-income community, including stimulating other business development;

(iii) bringing new income into a low-income community and assisting in the revitalization of such community;

(iv) converting real property for the purpose of creating a site for business incubation and location, or business district revitalization;

(v) enhancing economic competition, including the advancement of technology;

(vi) rural development;

(vii) mitigating, rehabilitating, and reusing real property considered subject to the Solid Waste Disposal Act (42 U.S.C. 6901 et seq.; commonly referred to as the Resource Conservation and Recovery Act) or restoring coal mine-scarred land;

(viii) creation of local wealth through investments in employee stock ownership companies or resident-owned ventures; and

(ix) any other objective that the Secretary may establish to further the purposes of this title;

(C) the quality of jobs to be created for residents of low-income communities, taking into consideration such factors as the payment of higher wages, job security, employment benefits, opportunity for advancement, and personal asset building;

(D) the extent to which achievement of such goals will involve community-based organizations and residents in community development activities; and

(E) the extent to which the investments referred to in subparagraph (B) are likely to benefit existing small business in low-income communities or will encourage the growth of small business in such communities.

(4) OTHER.—Any other criteria that the Secretary may establish to carry out the purposes of this title.

(e) FIRST YEAR REQUIREMENTS.—

(1) NUMERICAL LIMITATION.—The number of APICs may not, at any time during the 1-year period that begins upon the Secretary awarding the first license for an APIC under this title, exceed 15.

(2) LIMITATION ON ALLOCATION OF AVAILABLE CREDIT SUBSIDY.—Of the amount of budget authority initially made available for allocation under this title for APICs, the amount allocated for any single APIC may not exceed 20 percent.

(3) NATIVE AMERICAN PRIVATE INVESTMENT COMPANY.—Subject only to the absence of an approvable application from an entity, during the 1-year period referred to in paragraph (1), of the entities selected and licensed by the Secretary as APICs, at least one shall be an entity that has as its primary purpose the making of qualified low-income community investments in areas that are within Indian country (as such term is defined in section 1151 of title 18, United States Code) or within lands that have status as Hawaiian home land under section 204 of the Hawaiian Homes Commission Act, 1920 (42 Stat. 108) or are acquired pursuant to such Act. The Secretary may establish specific selection criteria for applicants under this paragraph.

(f) COMMUNICATIONS BETWEEN HUD AND APPLICANTS.—

(1) IN GENERAL.—The Secretary shall set forth in regulations the procedures under which HUD and applicants for APIC licenses, and others, may communicate. Such regulations shall—

(A) specify by position the HUD officers and employees who may communicate with such applicants and others;

(B) permit HUD officers and employees to request and discuss with the applicant and

others (such as banks or other credit or business references, or potential investors, that the applicant specifies in writing) any more detailed information that may be desirable to facilitate HUD's review of the applicant's application;

(C) restrict HUD officers and employees from revealing to any applicant—

(i) the fact or chances of award of a license to such applicant, unless there has been a public announcement of the results of the competition; and

(ii) any information with respect to any other applicant; and

(D) set forth requirements for making and keeping records of any communications conducted under this subsection, including requirements for making such records available to the public after the award of licenses under an initial or subsequent notice, as appropriate, under subsection (a).

(2) TIMING.—Regulations under this subsection may be issued as interim rules for effect on or before the date of publication of the first notice under subsection (a), and shall apply only with respect to applications under such notice. Regulations to implement this subsection with respect to any notice after the first such notice shall be subject to notice and comment rulemaking.

(3) INAPPLICABILITY OF DEPARTMENT OF HUD ACT PROVISION.—Section 12(e)(2) of the Department of Housing and Urban Development Act (42 U.S.C. 3537a(e)(2)) is amended by inserting before the period at the end the following: "or any license provided under the America's Private Investment Companies Act".

SEC. 606. OPERATIONS OF APICs.

(a) POWERS AND AUTHORITIES.—

(1) IN GENERAL.—An APIC shall have any powers or authorities that—

(A) the APIC derives from the jurisdiction in which it is organized, or that the APIC otherwise has;

(B) may be conferred by a license under this title; and

(C) the Secretary may prescribe by regulation.

(2) NEW MARKET ASSISTANCE.—Nothing in this title shall preclude an APIC or its investors from receiving an allocation of New Market Tax Credits (to the extent such credits are established under Federal law) if the APIC satisfies any applicable terms and conditions under the Internal Revenue Code of 1986.

(b) INVESTMENT LIMITATIONS.—

(1) QUALIFIED LOW-INCOME COMMUNITY INVESTMENTS.—Substantially all investments that an APIC makes shall be qualified low-income community investments if the investments are financed with—

(A) amounts available from the proceeds of the issuance of an APIC's qualified debenture guaranteed under this title;

(B) proceeds of the sale of obligations described under subsection (c)(3)(C)(iii); or

(C) the use of private equity capital, as determined by the Secretary, in an amount specified in the APIC's license.

(2) SINGLE BUSINESS INVESTMENTS.—An APIC shall not, as a matter of sound financial practice, invest in any one business an amount that exceeds an amount equal to 35 percent of the sum of—

(A) the APIC's private equity capital; plus

(B) an amount equal to the percentage limit that the Secretary determines that an APIC may have outstanding at any one time, under subsection (c)(2)(A).

(c) BORROWING POWERS; QUALIFIED DEBENTURES.—

(1) ISSUANCE.—An APIC may issue qualified debentures. The Secretary shall, by regulation, specify the terms and requirements for debentures to be considered qualified debentures for purposes of this title, except that

the term to maturity of any qualified debenture may not exceed 21 years and each qualified debenture shall bear interest during all or any part of that time period at a rate or rates approved by the Secretary.

(2) LEVERAGE LIMITS.—In general, as a matter of sound financial management practices—

(A) the total amount of qualified debentures that an APIC issues under this title that an APIC may have outstanding at any one time shall not exceed an amount equal to 200 percent of the private equity capital of the APIC, as determined by the Secretary; and

(B) an APIC shall not have more than \$300,000,000 in face value of qualified debentures issued under this title outstanding at any one time.

(3) REPAYMENT.—

(A) CONDITION OF BUSINESS WIND-UP.—An APIC shall have repaid, or have otherwise been relieved of indebtedness, with respect to any interest or principal amounts of borrowings under this subsection no less than 2 years before the APIC may dissolve or otherwise complete the wind-up of its business.

(B) TIMING.—An APIC may repay any interest or principal amounts of borrowings under this subsection at any time: *Provided*, That the repayment of such amounts shall not relieve an APIC of any duty otherwise applicable to the APIC under this title, unless the Secretary orders such relief.

(C) USE OF INVESTMENT PROCEEDS BEFORE REPAYMENT.—Until an APIC has repaid all interest and principal amounts on APIC borrowings under this subsection, an APIC may use the proceeds of investments, in accordance with regulations issued by the Secretary, only to—

(i) pay for proper costs and expenses the APIC incurs in connection with such investments;

(ii) pay for the reasonable administrative expenses of the APIC;

(iii) purchase Treasury securities;

(iv) repay interest and principal amounts on APIC borrowings under this subsection;

(v) make interest, dividend, or other distributions to or on behalf of an investor; or

(vi) undertake such other purposes as the Secretary may approve.

(D) USE OF INVESTMENT PROCEEDS AFTER REPAYMENT.—After an APIC has repaid all interest and principal amounts on APIC borrowings under this subsection, and subject to continuing compliance with subsection (a), the APIC may use the proceeds from investments to make interest, dividend, or other distributions to or on behalf of investors in the nature of returns on capital, or the withdrawal of private equity capital, without regard to subparagraph (C) but in conformity with the APIC's investment strategy and statement of public purpose goals.

(e) REUSE OF QUALIFIED DEBENTURE PROCEEDS.—An APIC may use the proceeds of sale of Treasury securities purchased under subsection (c)(3)(C)(iii) to make qualified low-income community investments, subject to the Secretary's approval. In making the request for the Secretary's approval, the APIC shall follow the procedures applicable to an APIC's request for HUD guarantee action, as the Secretary may modify such procedures for implementation of this subsection. Such procedures shall include the description and certifications that an APIC must include in all requests for guarantee action, and the environmental certification applicable to initial expenditures for a project or activity.

(e) ANTIPIRATING.—Notwithstanding any other provision of law, an APIC may not use any private equity capital required to be contributed under this title, or the proceeds

from the sale of any qualified debenture under this title, to make an investment, as determined by the Secretary, to assist directly in the relocation of any industrial or commercial plant, facility, or operation, from 1 area to another area, if the relocation is likely to result in a significant loss of employment in the labor market area from which the relocation occurs.

(f) **EXCLUSION OF APIC FROM DEFINITION OF DEBTOR UNDER BANKRUPTCY PROVISIONS.**—Section 109(b)(2) of title 11, United States Code, is amended by inserting before "credit union" the following: "America's Private Investment Company licensed under the America's Private Investment Companies Act,".

SEC. 607. CREDIT ENHANCEMENT BY THE FEDERAL GOVERNMENT.

(a) **ISSUANCE AND GUARANTEE OF QUALIFIED DEBENTURES.**—

(1) **AUTHORITY.**—To the extent consistent with the Federal Credit Reform Act of 1990, the Secretary is authorized to make commitments to guarantee and guarantee the timely payment of all principal and interest as scheduled on qualified debentures issued by APICs. Such commitments and guarantees may only be made in accordance with the terms and conditions established under paragraph (2).

(2) **TERMS AND CONDITIONS.**—The Secretary shall establish such terms and conditions as the Secretary determines to be appropriate for commitments and guarantees under this subsection, including terms and conditions relating to amounts, expiration, number, priorities of repayment, security, collateral, amortization, payment of interest (including the timing thereof), and fees and charges. The terms and conditions applicable to any particular commitment or guarantee may be established in documents that the Secretary approves for such commitment or guarantee.

(3) **SENIORITY.**—Notwithstanding any other provision of Federal law or any law or the constitution of any State, qualified debentures guaranteed under this subsection by the Secretary shall be senior to any other debt obligation, equity contribution or earnings, or the distribution of dividends, interest, or other amounts, of an APIC.

(b) **ISSUANCE OF TRUST CERTIFICATES.**—The Secretary, or an agent or entity selected by the Secretary, is authorized to issue trust certificates representing ownership of all or a fractional part of guaranteed qualified debentures issued by APICs and held in trust.

(c) **GUARANTEE OF TRUST CERTIFICATES.**—

(1) **IN GENERAL.**—The Secretary is authorized, upon such terms and conditions as the Secretary determines to be appropriate, to guarantee the timely payment of the principal of and interest on trust certificates issued by the Secretary, or an agent or other entity, for purposes of this section. Such guarantee shall be limited to the extent of principal and interest on the guaranteed qualified debentures which compose the trust.

(2) **SUBSTITUTION OPTION.**—The Secretary shall have the option to replace in the corpus of the trust any prepaid or defaulted qualified debenture with a debenture, another full faith and credit instrument, or any obligations of the United States, that may reasonably substitute for such prepaid or defaulted qualified debenture.

(3) **PROPORTIONATE REDUCTION OPTION.**—In the event that the Secretary elects not to exercise the option under paragraph (2), and a qualified debenture in such trust is prepaid, or in the event of default of a qualified debenture, the guarantee of timely payment of principal and interest on the trust certificate shall be reduced in proportion to the amount of principal and interest that such prepaid qualified debenture represents in the trust. Interest on prepaid or defaulted quali-

fied debentures shall accrue and be guaranteed by the Secretary only through the date of payment of the guarantee. During the term of a trust certificate, it may be called for redemption due to prepayment or default of all qualified debentures that are in the corpus of the trust.

(d) **FULL FAITH AND CREDIT BACKING OF GUARANTEES.**—The full faith and credit of the United States is pledged to the timely payment of all amounts which may be required to be paid under any guarantee by the Secretary pursuant to this section.

(e) **SUBROGATION AND LIENS.**—

(1) **SUBROGATION.**—In the event the Secretary pays a claim under a guarantee issued under this section, the Secretary shall be subrogated fully to the rights satisfied by such payment.

(2) **PRIORITY OF LIENS.**—No State or local law, and no Federal law, shall preclude or limit the exercise by the Secretary of its ownership rights in the debentures in the corpus of a trust under this section.

(f) **REGISTRATION.**—

(1) **IN GENERAL.**—The Secretary shall provide for a central registration of all trust certificates issued pursuant to this section.

(2) **AGENTS.**—The Secretary may contract with an agent or agents to carry out on behalf of the Secretary the pooling and the central registration functions of this section notwithstanding any other provision of law, including maintenance on behalf of and under the direction of the Secretary, such commercial bank accounts or investments in obligations of the United States as may be necessary to facilitate trusts backed by qualified debentures guaranteed under this title and the issuance of trust certificates to facilitate formation of the corpus of the trusts. The Secretary may require such agent or agents to provide a fidelity bond or insurance in such amounts as the Secretary determines to be necessary to protect the interests of the Government.

(3) **FORM.**—Book-entry or other electronic forms of registration for trust certificates under this title are authorized.

(g) **TIMING OF ISSUANCE OF GUARANTEES OF QUALIFIED DEBENTURES AND TRUST CERTIFICATES.**—The Secretary may, from time to time in the Secretary's discretion, exercise the authority to issue guarantees of qualified debentures under this title or trust certificates under this title.

SEC. 608. APIC REQUESTS FOR GUARANTEE ACTIONS.

(a) **IN GENERAL.**—The Secretary may issue a guarantee under this title for a qualified debenture that an APIC intends to issue only pursuant to a request to the Secretary by the APIC for such guarantee that is made in accordance with regulations governing the content and procedures for such requests, that the Secretary shall prescribe. Such regulations shall provide that each such request shall include—

(1) a description of the manner in which the APIC intends to use the proceeds from the qualified debenture;

(2) a certification by the APIC that the APIC is in substantial compliance with—

(A) this title and other applicable laws, including any requirements established under this title by the Secretary;

(B) all terms and conditions of its license, any cease-and-desist order issued under section 610, and of any penalty or condition that may have arisen from examination or monitoring by the Secretary or otherwise, including the satisfaction of any financial audit exception that may have been outstanding; and

(C) all requirements relating to the allocation and use of New Markets Tax Credits, to the extent such credits are established under Federal law; and

(3) any other information or certification that the Secretary considers appropriate.

(b) **REQUESTS FOR GUARANTEE OF QUALIFIED DEBENTURES THAT INCLUDE FUNDING FOR INITIAL EXPENDITURE FOR A PROJECT OR ACTIVITY.**—In addition to the description and certification that an APIC is required to supply in all requests for guarantee action under subsection (a), in the case of an APIC's request for a guarantee that includes a qualified debenture, the proceeds of which the APIC expects to be used as its initial expenditure for a project or activity in which the APIC intends to invest, and the expenditure for which would require an environmental assessment under the National Environmental Policy Act of 1969 and other related laws that further the purposes of such Act, such request for guarantee action shall include evidence satisfactory to the Secretary of the certification of the completion of environmental review of the project or activity required of the cognizant State or local government under subsection (c). If the environmental review responsibility for the project or activity has not been assumed by a State or local government under subsection (c), then the Secretary shall be responsible for carrying out the applicable responsibilities under the National Environmental Policy Act of 1969 and other provisions of law that further the purposes of such Act that relate to the project or activity, and the Secretary shall execute such responsibilities before acting on the APIC's request for the guarantee that is covered by this subsection.

(c) **RESPONSIBILITY FOR ENVIRONMENTAL REVIEWS.**—

(1) **EXECUTION OF RESPONSIBILITY BY THE SECRETARY.**—This subsection shall apply to guarantees by the Secretary of qualified debentures under this title, the proceeds of which would be used in connection with qualified low-income community investments of APICs under this title.

(2) **ASSUMPTION OF RESPONSIBILITY BY COGNIZANT UNIT OF GENERAL GOVERNMENT.**—

(A) **GUARANTEE OF QUALIFIED DEBENTURES.**—In order to assure that the policies of the National Environmental Policy Act of 1969 and other provisions of law that further the purposes of such Act (as specified in regulations issued by the Secretary) are most effectively implemented in connection with the expenditure of funds under this title, and to assure to the public undiminished protection of the environment, the Secretary may, under such regulations, in lieu of the environmental protection procedures otherwise applicable, provide for the guarantee of qualified debentures, any part of the proceeds of which are to fund particular qualified low-income community investments of APICs under this title, if a State or unit of general local government, as designated by the Secretary in accordance with regulations issued by the Secretary, assumes all of the responsibilities for environmental review, decisionmaking, and action pursuant to the National Environmental Policy Act of 1969 and such other provisions of law that further such Act as the regulations of the Secretary specify, that would otherwise apply to the Secretary were the Secretary to undertake the funding of such investments as a Federal action.

(B) **IMPLEMENTATION.**—The Secretary shall issue regulations to carry out this subsection only after consultation with the Council on Environmental Quality. Such regulations shall—

(i) specify any other provisions of law which further the purposes of the National Environmental Policy Act of 1969 and to which the assumption of responsibility as provided in this subsection applies;

(ii) provide eligibility criteria and procedures for the designation of a State or unit of general local government to assume all of the responsibilities in this subsection;

(iii) specify the purposes for which funds may be committed without regard to the procedure established under paragraph (3);

(iv) provide for monitoring of the performance of environmental reviews under this subsection;

(v) in the discretion of the Secretary, provide for the provision or facilitation of training for such performance; and

(vi) subject to the discretion of the Secretary, provide for suspension or termination by the Secretary of the assumption under subparagraph (A).

(C) RESPONSIBILITIES OF STATES AND UNITS OF GENERAL LOCAL GOVERNMENT.—The Secretary's duty under subparagraph (B) shall not be construed to limit any responsibility assumed by a State or unit of general local government with respect to any particular request for guarantee under subparagraph (A), or the use of funds for a qualified investment.

(3) PROCEDURE.—Subject to compliance by the APIC with the requirements of this title, the Secretary shall approve the request for guarantee of a qualified debenture, any part of the proceeds of which is to fund particular qualified low-income community investments of an APIC under this title, that is subject to the procedures authorized by this subsection only if, not less than 15 days prior to such approval and prior to any commitment of funds to such investment (except for such purposes specified in the regulations issued under paragraph (2)(B)), the APIC submits to the Secretary a request for guarantee of a qualified debenture that is accompanied by evidence of a certification of the State or unit of general local government which meets the requirements of paragraph (4). The approval by the Secretary of any such certification shall be deemed to satisfy the Secretary's responsibilities pursuant to paragraph (1) under the National Environmental Policy Act of 1969 and such other provisions of law as the regulations of the Secretary specify insofar as those responsibilities relate to the guarantees of qualified debentures, any parts of the proceeds of which are to fund such investments, which are covered by such certification.

(4) CERTIFICATION.—A certification under the procedures authorized by this subsection shall—

(A) be in a form acceptable to the Secretary;

(B) be executed by the chief executive officer or other officer of the State or unit of general local government who qualifies under regulations of the Secretary;

(C) specify that the State or unit of general local government under this subsection has fully carried out its responsibilities as described under paragraph (2); and

(D) specify that the certifying officer—

(i) consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 and each provision of law specified in regulations issued by the Secretary insofar as the provisions of such Act or other such provision of law apply pursuant to paragraph (2); and

(ii) is authorized and consents on behalf of the State or unit of general local government and himself or herself to accept the jurisdiction of the Federal courts for the purpose of enforcement of the responsibilities as such an official.

SEC. 609. EXAMINATION AND MONITORING OF APICS.

(a) IN GENERAL.—The Secretary shall, under regulations, through audits, performance agreements, license conditions, or otherwise, examine and monitor the operations and activities of APICs for compliance with sound financial management practices, and for satisfaction of the program and procedural goals of this title and other related

Acts. The Secretary may undertake any responsibility under this section in cooperation with an APIC liaison committee, or any agency that is a member of such a committee, or other agency.

(b) MONITORING, UPDATING, AND PROGRAM REVIEW.—

(1) REPORTING AND UPDATING.—The Secretary shall establish such annual or more frequent reporting requirements for APICs, and such requirements for the updating of the statement of public purpose goals, investment strategy (including the benchmarks in such strategy), and other documents that may have been used in the license application process under this title, as the Secretary determines necessary to assist the Secretary in monitoring the compliance and performance of APICs.

(2) ANNUAL AUDITS.—The Secretary shall require each APIC to have an independent audit conducted annually of the operations of the APIC. The Secretary, in consultation with the Administrator and the Secretary of the Treasury, shall establish requirements and standards for such audits, including requirements that such audits be conducted in accordance with generally accepted accounting principles, that the APIC submit the results of the audit to Secretary, and that specify the information to be submitted.

(3) EXAMINATIONS.—The Secretary shall, not less often than once every 2 years, examine the operations and portfolio of each APIC licensed under this title for compliance with sound financial management practices, and for compliance with this title.

(4) EXAMINATION STANDARDS.—

(A) SOUND FINANCIAL MANAGEMENT PRACTICES.—The Secretary shall examine each APIC to ensure, as a matter of sound financial management practices, substantial compliance with this and other applicable laws, including Federal executive orders, Department of Treasury and Office of Management and Budget guidance, circulars, and application and licensing requirements on a continuing basis. The Secretary may, by regulation, establish any additional standards for sound financial management practices, including standards that address solvency and financial exposure.

(B) PERFORMANCE AND OTHER EXAMINATIONS.—The Secretary shall monitor each APIC's progress in meeting the goals in the APIC's statement of public purpose goals, executing the APIC's investment strategy, and other matters.

(c) INSPECTOR GENERAL RESPONSIBILITY.—In carrying out monitoring of HUD's responsibilities under this title and for purposes of ensuring that the program under this title is operated in accordance with sound financial management practices, the Inspector General of the Department of Housing and Urban Development shall consult with the Inspector General of the Department of the Treasury and the Inspector General of the Small Business Administration, as appropriate, and may enter into such agreements and memoranda of understanding as may be necessary to obtain the cooperation of the Inspectors General of the Department of the Treasury and the Small Business Administration in carrying out such function.

(d) ANNUAL REPORT BY SECRETARY.—The Secretary shall submit a report to the Congress annually regarding the operations, activities, financial health, and achievements of the APIC program under this title. The report shall list each investment made by an APIC and include a summary of the examinations conducted under subsection (b)(3), the guarantee actions of HUD, and any regulatory or policy actions taken by HUD. The report shall distinguish recently licensed APICs from APICs that have held licenses for a longer period for purposes of indicating program activities and performance.

(e) GAO REPORT.—

(1) REQUIREMENT.—Not later than 2 years after the date of the enactment of this Act, the Comptroller General of the United States shall submit a report to the Congress regarding the operation of the program under this title for licensing and guarantees for APICs.

(2) CONTENTS.—The report shall include—

(A) an analysis of the operations and monitoring by HUD of the APIC program under this title;

(B) the administrative and capacity needs of HUD required to ensure the integrity of the program;

(C) the extent and adequacy of any credit subsidy appropriated for the program; and

(D) the management of financial risk and liability of the Federal Government under the program.

SEC. 610. PENALTIES.

(a) VIOLATIONS SUBJECT TO PENALTY.—The Secretary may impose a penalty under this subsection on any APIC or manager of an APIC that, by any act, practice, or failure to act, engages in fraud, mismanagement, or noncompliance with this title, the regulations under this title, or a condition of the APIC's license under this title. The Secretary shall, by regulation, identify, by generic description of a role or responsibilities, any manager of an APIC that is subject to a penalty under this section.

(b) PENALTIES REQUIRING NOTICE AND AN OPPORTUNITY TO RESPOND.—If, after notice in writing to an APIC or the manager of an APIC that the APIC or manager has engaged in any action, practice, or failure to act that, under subsection (a), is subject to a penalty, and after an opportunity for the APIC or manager to respond to the notice, the Secretary determines that the APIC or manager engaged in such action or failure to act, the Secretary may, in addition to other penalties imposed—

(1) assess a civil money penalty, except than any civil money penalty under this subsection shall be in an amount not exceeding \$10,000;

(2) issue an order to cease and desist with respect to such action, practice, or failure to act of the APIC or manager;

(3) suspend, or condition the use of, the APIC's license, including deferring, for the period of the suspension, any commitment to guarantee any new qualified debenture of the APIC, except that any suspension or condition under this paragraph may not exceed 90 days; and

(4) impose any other penalty that the Secretary determines to be less burdensome to the APIC than a penalty under subsection (c).

(c) PENALTIES REQUIRING NOTICE AND HEARING.—If, after notice in writing to an APIC or the manager of an APIC that an APIC or manager has engaged in any action, practice, or failure to act that, under subsection (a), is subject to a penalty, and after an opportunity for administrative hearing, the Secretary determines that the APIC or manager engaged in such action or failure to act, the Secretary may—

(1) assess a civil money penalty against the APIC or a manager in any amount;

(2) require the APIC to divest any interest in an investment, on such terms and conditions as the Secretary may impose; or

(3) revoke the APIC's license.

(d) EFFECTIVE DATE OF PENALTIES.—

(1) PRIOR NOTICE REQUIREMENT.—Except as provided in paragraph (2) of this subsection, a penalty under subsection (b) or (c) shall not be due and payable and shall not otherwise take effect or be subject to enforcement by an order of a court, before notice of the penalty is published in the Federal Register.

(2) CEASE-AND-DESIST ORDERS AND SUSPENSION OR CONDITIONING OF LICENSE.—In the

case of a cease-and-desist order under subsection (b)(2) or the suspension or conditioning of an APIC's license under subsection (b)(3), the following procedures shall apply:

(A) ACTION WITHOUT PUBLISHED NOTICE.—The Secretary may order an APIC or manager to cease and desist from an action, practice, or failure to act or may suspend or condition an APIC's license, for not more than 45 days without prior publication of notice in the Federal Register, but such cease-and-desist order or suspension or conditioning shall take effect only after the Secretary has issued a written notice (which may include a writing in electronic form) of such action to the APIC. Notwithstanding subsection (b), such written notice shall be effective without regard to whether the APIC has been accorded an opportunity to respond. Upon such notice, such cease-and-desist order or suspension or conditioning shall be subject to enforcement by an order of a court.

(B) PUBLICATION OF NOTICE OF SUSPENSION OR CONDITIONING OF LICENSE.—Upon a suspension or conditioning of a license taking effect pursuant to subparagraph (A), the Secretary shall promptly cause a notice of suspension or conditioning of such license for a period of not more than 90 days to be published in the Federal Register. The Secretary shall provide the APIC an opportunity to respond to such notice. For purposes of the determining the duration of the period of any suspension or conditioning under this subparagraph, the first day of such period shall be the day of issuance of the written notice under this paragraph of the suspension or conditioning.

(C) REVOCATION OF LICENSE.—During the period of the suspension or conditioning of an APIC's license, the Secretary may take action under subsection (c)(3) to revoke the license of the APIC, in accordance with the procedures applicable to such subsection. Notwithstanding any other provision of this section, if the Secretary takes such action, the Secretary may extend the suspension or conditioning of the APIC's license, for one or more periods of not more than 90 days each, by causing notice of such action to be published in the Federal Register—

(i) for the first such extension, before the expiration of the period under subparagraph (B); and

(ii) for any subsequent extension, before the expiration of the preceding extension period under this subparagraph.

(D) TERM OF EFFECTIVENESS.—A cease-and-desist order or the suspension or conditioning of an APIC's license by the Secretary under this paragraph shall remain in effect in accordance with the terms of the order, suspension, or conditioning until final adjudication in any action undertaken to challenge the order, or the suspension or conditioning, or the revocation, of an APIC's license.

SEC. 611. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in subsection (b), this title shall take effect upon the expiration of the 6-month period beginning on the date of the enactment of this Act.

(b) ISSUANCE OF REGULATIONS AND GUIDELINES.—Any authority under this title of the Secretary, the Administrator, and the Secretary of the Treasury to issue regulations, standards, guidelines, or licensing requirements, and any authority of such officials to consult or enter into agreements or memoranda of understanding regarding such issuance, shall take effect on the date of the enactment of this Act.

SEC. 612. SUNSET.

After the expiration of the 5-year period beginning upon the date that the Secretary awards the first license for an APIC under this title—

(1) the Secretary may not license any APIC; and

(2) no amount may be appropriated for the costs (as such term is defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661c)) of any guarantee under this title for any debenture issued by an APIC. This section may not be construed to prohibit, limit, or affect the award, allocation, or use of any budget authority for the costs of such guarantees that is appropriated before the expiration of such period.

TITLE VII—NEW MARKETS TAX CREDIT

SEC. 701. NEW MARKETS TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits), as amended by section 201(a), is amended by adding at the end the following new section:

“SEC. 45E. NEW MARKETS TAX CREDIT.

“(a) ALLOWANCE OF CREDIT.—

“(1) IN GENERAL.—For purposes of section 38, in the case of a taxpayer who holds a qualified equity investment on a credit allowance date of such investment which occurs during the taxable year, the new markets tax credit determined under this section for such taxable year is an amount equal to the applicable percentage of the amount paid to the qualified community development entity for such investment at its original issue.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage is—

“(A) 5 percent with respect to the first 3 credit allowance dates, and

“(B) 6 percent with respect to the remainder of the credit allowance dates.

“(3) CREDIT ALLOWANCE DATE.—For purposes of paragraph (1), the term ‘credit allowance date’ means, with respect to any qualified equity investment—

“(A) the date on which such investment is initially made, and

“(B) each of the 6 anniversary dates of such date thereafter.

“(b) QUALIFIED EQUITY INVESTMENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified equity investment’ means any equity investment in a qualified community development entity if—

“(A) such investment is acquired by the taxpayer at its original issue (directly or through an underwriter) solely in exchange for cash,

“(B) substantially all of the proceeds from such investment is used by the qualified community development entity to make qualified low-income community investments, and

“(C) such investment is designated for purposes of this section by the qualified community development entity.

Such term shall not include any equity investment issued by a qualified community development entity more than 5 years after the date that such entity receives an allocation under subsection (f). Any allocation not used within such 5-year period may be reallocated by the Secretary under subsection (f).

“(2) LIMITATION.—The maximum amount of equity investments issued by a qualified community development entity which may be designated under paragraph (1)(C) by such entity shall not exceed the portion of the limitation amount allocated under subsection (f) to such entity.

“(3) SAFE HARBOR FOR DETERMINING USE OF CASH.—The requirement of paragraph (1)(B) shall be treated as met if at least 85 percent of the aggregate gross assets of the qualified community development entity are invested in qualified low-income community investments.

“(4) TREATMENT OF SUBSEQUENT PURCHASERS.—The term ‘qualified equity invest-

ment’ includes any equity investment which would (but for paragraph (1)(A)) be a qualified equity investment in the hands of the taxpayer if such investment was a qualified equity investment in the hands of a prior holder.

“(5) REDEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this subsection.

“(6) EQUITY INVESTMENT.—The term ‘equity investment’ means—

“(A) any stock in a qualified community development entity which is a corporation, and

“(B) any capital interest in a qualified community development entity which is a partnership.

“(c) QUALIFIED COMMUNITY DEVELOPMENT ENTITY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified community development entity’ means any domestic corporation or partnership if—

“(A) the primary mission of the entity is serving, or providing investment capital for, low-income communities or low-income persons,

“(B) the entity maintains accountability to residents of low-income communities through representation on governing or advisory boards or otherwise, and

“(C) the entity is certified by the Secretary for purposes of this section as being a qualified community development entity.

“(2) SPECIAL RULES FOR CERTAIN ORGANIZATIONS.—The requirements of paragraph (1) shall be treated as met by—

“(A) any specialized small business investment company (as defined in section 1044(c)(3)), and

“(B) any community development financial institution (as defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702)).

“(d) QUALIFIED LOW-INCOME COMMUNITY INVESTMENTS.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified low-income community investment’ means—

“(A) any equity investment in, or loan to, any qualified active low-income community business,

“(B) the purchase from another community development entity of any loan made by such entity which is a qualified low-income community investment if the amount received by such other entity from such purchase is used by such other entity to make qualified low-income community investments,

“(C) financial counseling and other services specified in regulations prescribed by the Secretary to businesses located in, and residents of, low-income communities, and

“(D) any equity investment in, or loan to, any qualified community development entity if substantially all of the investment or loan is used by such entity to make qualified low-income community investments described in subparagraphs (A), (B), and (C).

“(2) QUALIFIED ACTIVE LOW-INCOME COMMUNITY BUSINESS.—

“(A) IN GENERAL.—For purposes of paragraph (1), the term ‘qualified active low-income community business’ means, with respect to any taxable year, any corporation or partnership if for such year—

“(i) at least 50 percent of the total gross income of such entity is derived from the active conduct of a qualified business within any low-income community,

“(ii) a substantial portion of the use of the tangible property of such entity (whether owned or leased) is within any low-income community,

“(iii) a substantial portion of the services performed for such entity by its employees are performed in any low-income community,

“(iv) less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to collectibles (as defined in section 408(m)(2)) other than collectibles that are held primarily for sale to customers in the ordinary course of such business, and

“(v) less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to non-qualified financial property (as defined in section 1397C(e)).

“(B) PROPRIETORSHIP.—Such term shall include any business carried on by an individual as a proprietor if such business would meet the requirements of subparagraph (A) were it incorporated.

“(C) PORTIONS OF BUSINESS MAY BE QUALIFIED ACTIVE LOW-INCOME COMMUNITY BUSINESS.—The term ‘qualified active low-income community business’ includes any trades or businesses which would qualify as a qualified active low-income community business if such trades or businesses were separately incorporated.

“(3) QUALIFIED BUSINESS.—For purposes of this subsection, the term ‘qualified business’ has the meaning given to such term by section 1397C(d); except that—

“(A) in lieu of applying paragraph (2)(B) thereof, the rental to others of real property located in any low-income community shall be treated as a qualified business if there are substantial improvements located on such property,

“(B) paragraph (3) thereof shall not apply, and

“(C) such term shall not include any business if a significant portion of the equity interests in such business are held by any person who holds a significant portion of the equity investments in the community development entity.

“(e) LOW-INCOME COMMUNITY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘low-income community’ means any population census tract if—

“(A) the poverty rate for such tract is at least 20 percent,

“(B)(i) in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income, or

“(ii) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income, or

“(C) as determined by the Secretary based on objective criteria, a substantial population of low-income individuals reside in such tract, an inadequate access to investment capital exists in such tract, or other indications of economic distress exist in such tract.

“(2) AREAS NOT WITHIN CENSUS TRACTS.—In the case of an area which is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of defining poverty areas) shall be used for purposes of determining poverty rates and median family income.

“(f) NATIONAL LIMITATION ON AMOUNT OF INVESTMENTS DESIGNATED.—

“(1) IN GENERAL.—There is a new markets tax credit limitation for each calendar year. Such limitation is—

“(A) \$500,000,000 for 2001,

“(B) \$1,500,000,000 for 2002 and 2003,

“(C) \$2,500,000,000 for 2004 and 2005,

“(D) \$3,000,000,000 for 2006,

“(E) \$3,500,000,000 for 2007.

“(2) ALLOCATION OF LIMITATION.—The limitation under paragraph (1) shall be allocated

by the Secretary among qualified community development entities selected by the Secretary. In making allocations under the preceding sentence, the Secretary shall give priority to entities with records of having successfully provided capital or technical assistance to disadvantaged businesses or communities.

“(3) CARRYOVER OF UNUSED LIMITATION.—If the new markets tax credit limitation for any calendar year exceeds the aggregate amount allocated under paragraph (2) for such year, such limitation for the succeeding calendar year shall be increased by the amount of such excess.

“(g) RECAPTURE OF CREDIT IN CERTAIN CASES.—

“(1) IN GENERAL.—If, at any time during the 7-year period beginning on the date of the original issue of a qualified equity investment in a qualified community development entity, there is a recapture event with respect to such investment, then the tax imposed by this chapter for the taxable year in which such event occurs shall be increased by the credit recapture amount.

“(2) CREDIT RECAPTURE AMOUNT.—For purposes of paragraph (1), the credit recapture amount is an amount equal to the sum of—

“(A) the aggregate decrease in the credits allowed to the taxpayer under section 38 for all prior taxable years which would have resulted if no credit had been determined under this section with respect to such investment, plus

“(B) interest at the overpayment rate established under section 6621 on the amount determined under subparagraph (A) for each prior taxable year for the period beginning on the due date for filing the return for the prior taxable year involved.

No deduction shall be allowed under this chapter for interest described in subparagraph (B).

“(3) RECAPTURE EVENT.—For purposes of paragraph (1), there is a recapture event with respect to an equity investment in a qualified community development entity if—

“(A) such entity ceases to be a qualified community development entity,

“(B) the proceeds of the investment cease to be used as required of subsection (b)(1)(B), or

“(C) such investment is redeemed by such entity.

“(4) SPECIAL RULES.—

“(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

“(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under this chapter or for purposes of section 55.

“(h) BASIS REDUCTION.—The basis of any qualified equity investment shall be reduced by the amount of any credit determined under this section with respect to such investment.

“(i) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section, including regulations—

“(1) which limit the credit for investments which are directly or indirectly subsidized by other Federal benefits (including the credit under section 42 and the exclusion from gross income under section 103),

“(2) which prevent the abuse of the provisions of this section through the use of related parties,

“(3) which impose appropriate reporting requirements, and

“(4) which apply the provisions of this section to newly formed entities.”.

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Subsection (b) of section 38, as amended by section 201(b), is amended by striking “plus” at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting “, plus”, and by adding at the end the following new paragraph:

“(14) the new markets tax credit determined under section 45E(a).”.

(2) LIMITATION ON CARRYBACK.—Subsection (d) of section 39, as amended by section 201(d), is amended by adding at the end the following new paragraph:

“(10) NO CARRYBACK OF NEW MARKETS TAX CREDIT BEFORE JANUARY 1, 2001.—No portion of the unused business credit for any taxable year which is attributable to the credit under section 45E may be carried back to a taxable year ending before January 1, 2001.”.

(c) DEDUCTION FOR UNUSED CREDIT.—Subsection (c) of section 196 is amended by striking “and” at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting “, and”, and by adding at the end the following new paragraph:

“(9) the new markets tax credit determined under section 45E(a).”.

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 201(e), is amended by adding at the end the following new item:

“Sec. 45E. New markets tax credit.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to investments made after December 31, 2000.

(f) REGULATIONS ON ALLOCATION OF NATIONAL LIMITATION.—Not later than 90 days after the date of the enactment of this Act, the Secretary of the Treasury or the Secretary's delegate shall prescribe regulations which specify objective criteria to be used in making the allocations under section 45E(f)(2) of the Internal Revenue Code of 1986, as added by this section.

TITLE VIII—COMMUNITY DEVELOPMENT AND VENTURE CAPITAL

SEC. 800. SHORT TITLE.

This title may be cited as the “Community Development and Venture Capital Act of 2000”.

Subtitle A—New Markets Venture Capital Program

SEC. 801. NEW MARKETS VENTURE CAPITAL PROGRAM.

(a) IN GENERAL.—Title III of the Small Business Investment Act of 1958 (15 U.S.C. 681 et seq.) is amended—

(1) by striking the title designation and heading and inserting the following:

“TITLE III—INVESTMENT DIVISION PROGRAMS

“PART A—SMALL BUSINESS INVESTMENT COMPANIES”;

and

(2) by adding at the end the following:

“PART B—NEW MARKETS VENTURE CAPITAL PROGRAM

“SEC. 351. DEFINITIONS.

“In this part—

“(1) the term ‘eligible company’ means a company that—

“(A) is a newly formed for-profit entity, which may be a newly formed for-profit subsidiary of an existing entity; and

“(B) has a management team with experience in community development financing or relevant venture capital financing;

“(2) the term ‘low-income individual’ means an individual whose income (adjusted for family size) does not exceed—

“(A) for metropolitan areas, 80 percent of the area median income; and

“(B) for nonmetropolitan areas, the greater of—

“(i) 80 percent of the area median income; or

“(ii) 80 percent of the statewide nonmetropolitan area median income;

“(3) the term ‘low- or moderate-income geographic area’ means—

“(A) any population census tract (or in the case of an area that is not tracted for population census tracts, the equivalent county division, as defined by the Bureau of the Census of the Department of Commerce for purposes of defining poverty areas) if—

“(i) the poverty rate for such census tract is not less than 20 percent;

“(ii) (I) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed the greater of 80 percent of the statewide median family income or 80 percent of the metropolitan area median family income; or

“(II) in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the statewide median family income; or

“(iii) as determined by the Administrator based on objective criteria, a substantial population of low-income individuals reside, an inadequate access to investment capital exists, or other indications of economic distress exist; or

“(B) any area located within—

“(i) a HUBZone (as defined in section 3(p) of the Small Business Act and the implementing regulations issued under that section);

“(ii) an urban empowerment zone or urban enterprise community (as designated by the Secretary of Housing and Urban Development); or

“(iii) a rural empowerment zone or rural enterprise community (as designated by the Secretary of Agriculture);

“(4) the terms ‘new markets venture capital company’ and ‘NMVC company’ mean a company that has been designated as a new markets venture capital company by the Administrator under section 354(d);

“(5) the term ‘participation agreement’ means an agreement, between the Administrator and a company granted final approval under section 354(e), that—

“(A) details the company’s operating plan and investment criteria; and

“(B) requires the company to make investments in smaller enterprises at least 80 percent of which are located in low- or moderate-income geographic areas; and

“(6) the term ‘specialized small business investment company’ means any small business investment company that—

“(A) invests solely in small business concerns that contribute to a well-balanced national economy by facilitating ownership in such concerns by persons whose participation in the free enterprise system is hampered because of social or economic disadvantages;

“(B) is organized or chartered under State business or nonprofit corporations statutes, or formed as a limited partnership; and

“(C) was licensed under section 301(d), as in effect before September 30, 1996.

“SEC. 352. PURPOSES.

“The purposes of this part are—

“(1) to encourage venture capital investment in smaller enterprises located within urban and rural areas;

“(2) to promote the creation of wealth, economic development, and job opportunities in

low- and moderate-income geographic areas; and

“(3) to establish a venture capital program, which shall be administered by the Administrator—

“(A) to make grants to NMVC companies for the purpose of providing marketing, management, and technical assistance to smaller enterprises financed, or expected to be financed, by such companies; and

“(B) to guarantee debentures issued by NMVC companies to enable such companies to make venture capital investments in smaller enterprises within urban and rural areas.

“SEC. 353. PROGRAM ESTABLISHMENT.

“There is established a New Markets Venture Capital Program, under which the Administrator is authorized to—

“(1) make grants to NMVC companies, as provided in section 355; and

“(2) guarantee debentures issued by NMVC companies, as provided in section 356.

“SEC. 354. SELECTION OF NMVC COMPANIES.

“(a) APPLICATIONS.—In order to be eligible to participate in the program under this part as an NMVC company, an eligible company shall submit to the Administrator an application, within such period of time as the Administrator shall establish, which shall include—

“(1) a business plan that describes the manner and geographic areas in which the applicant will make successful venture capital investments in smaller enterprises described in subparagraphs (A) and (B) of section 351(5) and provide marketing, management, and technical assistance to those enterprises;

“(2) the qualifications and general business reputation of the management of the applicant, specifically addressing—

“(A) the experience of the management in making venture capital investments in smaller enterprises described in subparagraphs (A) and (B) of section 351(5); and

“(B) the success of those investments in terms of business growth, jobs created, and such other factors as the Administrator may require; and

“(3) a description of the manner in which the applicant will interface with community organizations;

“(4) a proposal describing the manner in which grant amounts made available under this part would provide marketing, management, and technical assistance to smaller enterprises expected to be financed by the applicant;

“(5) proposed criteria by which to evaluate the performance of the applicant in meeting program objectives;

“(6) the management and financial strength of any parent or affiliated firm, or any firm essential to the success of the business plan of the applicant;

“(7) with respect to binding commitments to be made to the company under this part, an estimate of the ratio of cash to in-kind contributions; and

“(8) such other information as the Administrator may require.

“(b) CRITERIA FOR CONDITIONAL APPROVAL.—

“(1) IN GENERAL.—Upon receipt of an application submitted under subsection (a), the Administrator shall review the application and make a determination regarding whether to grant conditional approval to the applicant to operate as an NMVC company during the time period described in subsection (c), based on—

“(A) the geographic area and employment characteristics of the smaller enterprises in which the proposed investments of the NMVC company will be made (in order to promote investment nationwide);

“(B) the likelihood that the applicant will meet the goals of the business plan of the applicant;

“(C) the experience and background of the company’s management team;

“(D) the need for equity or equity-type investments within the proposed investment areas;

“(E) the extent to which the applicant will concentrate its activities on serving its investment areas;

“(F) the likelihood that the applicant will be able to satisfy the requirements of subsection (c);

“(G) the extent to which the proposed activities will expand economic opportunities within the investment areas; and

“(H) such other factors as the Administrator determines to be appropriate.

“(2) NATIONWIDE DISTRIBUTION.—The Administrator shall select companies under paragraph (1) in such a way that promotes investment nationwide.

“(c) REQUIREMENTS FOR FINAL APPROVAL.—

“(1) IN GENERAL.—Subject to paragraph (2), each applicant that is granted conditional approval by the Administrator to operate as an NMVC company under subsection (b), shall, before the expiration of a time period established by the Administrator not to exceed 24 months, beginning on the date on which such conditional approval is granted—

“(A) raise not less than \$5,000,000 of contributed capital or binding capital commitments from 1 or more investors (other than an agency of the Federal Government) that meet criteria established by the Administrator; and

“(B) in order to provide marketing, management, and technical assistance, have—

“(i) cash or binding commitments for contributions (in cash or in-kind) from 1 or more sources other than the Administration that meet criteria established by the Administrator, payable or available over a multiyear period acceptable to the Administrator (not to exceed 10 years), in an amount equal to 30 percent of the capital and commitments raised under subparagraph (A);

“(ii) purchased an annuity from an insurance company acceptable to the Administrator, using amounts (other than the amounts raised to satisfy the requirements of subparagraph (A)) from any source other than the Administration, that would yield cash payments over a multiyear period acceptable to the Administrator (not to exceed 10 years), in an amount equal to 30 percent of the capital and commitments raised under subparagraph (A); or

“(iii) cash or binding commitments for contributions (in cash or in-kind) of the type described in clause (i) and have purchased an annuity of the type described in clause (ii), that in the aggregate make available, over a multiyear period acceptable to the Administrator (not to exceed 10 years), an amount equal to 30 percent of the capital and commitments raised under subparagraph (A).

“(2) EXCEPTION.—The Administrator may, in the discretion of the Administrator and based upon a showing of special circumstances and good cause, consider an applicant to have satisfied the requirements of paragraph (1)(B) if the applicant has—

“(A) a viable plan that reasonably projects the capacity of the applicant to raise the amount (in cash or in-kind) required under paragraph (1)(B); and

“(B) binding commitments in an amount not less than 20 percent of the total amount required under paragraph (1)(B).

“(d) GRANT OF FINAL APPROVAL; DESIGNATION.—The Administrator shall, with respect to each applicant conditionally approved to operate as an NMVC company under subsection (b), either—

“(1) grant final approval to the applicant to operate as an NMVC company under this part and designate the applicant as an NMVC company, if the applicant—

“(A) satisfies the requirements of subsection (c) on or before the expiration of the time period described in that subsection; and

“(B) enters into a participation agreement with the Administrator; or

“(2) if the applicant fails to satisfy the requirements of subsection (c) on or before the expiration of the time period described in that subsection, revoke the conditional approval granted under that subsection.

“SEC. 355. TECHNICAL ASSISTANCE GRANTS.

“(a) GRANTS.—

“(1) IN GENERAL.—The Administrator, in accordance with such terms and conditions as the Administrator may require, is authorized to award 1 or more grants to each NMVC company or to any other entity, as authorized by this part, which shall be used to provide marketing, management, and technical assistance for the benefit of smaller enterprises financed, or expected to be financed, by the NMVC company or other authorized entity.

“(2) MULTIYEAR GRANTS.—Amounts from a grant awarded under this section shall be paid upon the direction of the Administrator over a multiyear period of not to exceed 10 years.

“(3) GRANTS TO SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES.—

“(A) AUTHORITY.—In accordance with this section, the Administrator may make grants to specialized small business investment companies to provide marketing, management, and technical assistance to smaller enterprises financed, or expected to be financed, by such companies after the effective date of the Community Development and Venture Capital Act of 2000.

“(B) USE OF FUNDS.—The proceeds of a grant made under this paragraph may be used by the company receiving such grant only to provide marketing, management, and technical assistance in connection with an equity or equity-type investment (made with capital raised after the effective date of the Community Development and Venture Capital Act of 2000) in a business located in a low- or moderate-income geographic area.

“(C) SUBMISSION OF PLANS.—A specialized small business investment company shall be eligible for a grant under this section only if the company submits to the Administrator, in such form and manner as the Administrator may require, a plan for use of the grant.

“(4) GRANT AMOUNT.—

“(A) IN GENERAL.—Subject to subparagraph (B), the amount of a grant awarded to an NMVC company or other authorized entity under this subsection shall be equal to 30 percent of the amount of capital and commitments raised under section 354(c)(1)(A).

“(B) MATCHING REQUIREMENT.—In order to receive funds under a grant awarded under this subsection, an NMVC company or other authorized entity shall provide a matching contribution (in cash or in-kind) from sources other than the Administration, in an amount equal to the funds to received.

“(5) PRO RATA REDUCTIONS.—If the amount made available to carry out this section for a fiscal year is insufficient for the Administrator to award grants in the amounts required under paragraph (4), the Administrator shall make pro rata reductions in the amounts otherwise payable to each NMVC company or other authorized entity under that paragraph.

“(b) SUPPLEMENTAL GRANTS.—

“(1) IN GENERAL.—In addition to any grant under subsection (a), the Administrator, in accordance with such terms and conditions

as the Administrator may require, may make 1 or more supplemental grants to an NMVC company or other authorized entity, which shall be used to provide additional marketing, management, and technical assistance for the benefit of smaller enterprises financed, or expected to be financed, by the NMVC company or other authorized entity.

“(2) MATCHING REQUIREMENT.—The Administrator may require, as a condition of any supplemental grant made under this subsection, that the NMVC company provide a matching contribution (in cash or in-kind) from 1 or more sources other than the Administrator in an amount equal to the amount of the supplemental grant.

“(c) LIMITATION.—No part of any grant made available under this section may be used for any purpose other than to provide direct technical and financial assistance to smaller enterprises financed, or expected to be financed, by the NMVC companies or other authorized entities.

“SEC. 356. DEBENTURES.

“(a) IN GENERAL.—The Administrator is authorized to guarantee the timely payment of principal and interest as scheduled on debentures issued by NMVC companies, in accordance with such terms and conditions the Administrator determines to be appropriate.

“(b) FULL FAITH AND CREDIT.—The full faith and credit of the United States is pledged to the payment of all amounts that may be required to be paid under any guarantee under this section.

“(c) DEBENTURE REQUIREMENTS.—A debenture guaranteed under this section—

“(1) may be issued for a term of not to exceed 15 years;

“(2) shall bear interest at a rate approved by the Administrator; and

“(3) shall contain such other terms and conditions as the Administrator may require.

“(d) TOTAL FACE VALUE.—The total face amount of debentures issued by an NMVC company and guaranteed under this section that may be outstanding at any 1 time shall not exceed 150 percent of the contributed capital of the NMVC company, as determined by the Administrator. For purposes of this subsection, the contributed capital of an NMVC company includes capital that is deemed to be Federal funds contributed by an investor other than an agency of the Federal Government.

“SEC. 357. ISSUANCE AND GUARANTEE OF TRUST CERTIFICATES.

“(a) IN GENERAL.—The Administrator (or an agent of the Administrator) is authorized to issue trust certificates representing ownership of all or a fractional part of debentures guaranteed by the Administrator under section 356, if such trust certificates are based on and backed by a trust or pool approved by the Administrator and composed solely of debentures guaranteed under section 356.

“(b) GUARANTEE AUTHORITY.—

“(1) IN GENERAL.—The Administrator is authorized to, upon such terms and conditions as the Administrator determines to be appropriate, guarantee the timely payment of the principal of and interest on any trust certificate issued under this section.

“(2) LIMITATION.—A guarantee under this subsection shall be limited to the extent of the principal of and interest on the guaranteed debentures that compose the trust or pool described in subsection (a).

“(3) REDUCTION.—If a debenture in a trust or pool described in subsection (a) is prepaid, or in the event of default of a debenture, the guarantee of timely payment of principal and interest on the related trust certificate issued under this section shall be reduced in

proportion to the amount of principal and interest that such prepaid debenture represents in that trust or pool.

“(4) ACCRUAL OF INTEREST.—Interest on prepaid or defaulted debentures shall accrue and be guaranteed by the Administrator only through the date of payment of the guarantee.

“(5) REDEMPTION OF TRUST CERTIFICATES.—During the term of any trust certificate issued under this subsection, the trust certificate may be called for redemption due to prepayment or default of all debentures in the trust or pool.

“(c) FULL FAITH AND CREDIT.—The full faith and credit of the United States is pledged to the payment of all amounts that may be required to be paid under any guarantee of a trust certificate issued under this section.

“(d) FEES.—The Administrator shall not collect a fee for any guarantee of a trust certificate issued under this section, except that nothing in this subsection may be construed to preclude an agent of the Administrator from collecting a fee approved by the Administrator for the functions described in subsection (f)(2).

“(e) SUBROGATION.—

“(1) IN GENERAL.—If the Administrator pays a claim under a guarantee issued under this section, the Administration shall be subrogated fully to the rights satisfied by such payment.

“(2) OWNERSHIP RIGHTS.—No Federal, State, or local law shall preclude or limit the exercise by the Administrator of the ownership rights of the Administrator in the debentures residing in a trust or pool against which trust certificates are issued under this section.

“(f) CENTRAL REGISTRATION.—

“(1) IN GENERAL.—The Administrator may provide for a central registration of all trust certificates issued under this section.

“(2) CONTRACTING OF FUNCTIONS.—

“(A) IN GENERAL.—The Administrator may contract with an agent or agents to carry out on behalf of the Administrator the pooling and the central registration functions of this section including, notwithstanding any other provision of law—

“(i) maintenance on behalf of and under the direction of the Administrator of such commercial bank accounts or investments in obligations of the United States as may be necessary to facilitate trusts or pools backed by debentures guaranteed under this part; and

“(ii) the issuance of trust certificates to facilitate such poolings.

“(B) FIDELITY BOND OR INSURANCE REQUIRED.—An agent contracting with the Administrator under this paragraph shall be required to provide a fidelity bond or insurance in such amounts as the Administrator determines to be necessary to fully protect the interests of the Government.

“(3) REGULATION OF BROKERS AND DEALERS.—Notwithstanding section 3(a)(42) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(42)), the Administrator may regulate brokers and dealers in trust certificates issued under this section.

“(4) ELECTRONIC REGISTRATION.—Nothing in this subsection may be construed to prohibit the use of a book-entry or other electronic form of registration for trust certificates issued under this section.

“SEC. 358. FEES.

“Except as provided under section 357(d), the Administrator may charge such fees as the Administrator determines to be appropriate with respect to any guarantee issued or grant awarded under this part.

“SEC. 359. BANK PARTICIPATION.

“Any national bank, or any member bank of the Federal Reserve System or non-member insured bank to the extent permitted under applicable State law, may invest in any 1 or more NMVC companies, or in any entity established to invest solely in NMVC companies, except that in no event shall the total amount of such investments of any such bank exceed 5 percent of the total capital and surplus of the bank.

“SEC. 360. FEDERAL FINANCING BANK.

“Section 318 shall not apply to any debenture issued by a NMVC company under this part.

“SEC. 361. REPORTING REQUIREMENTS.

“Each NMVC company shall provide to the Administrator such information as the Administrator may request, including—

“(1) information related to the measurement criteria that the NMVC company proposed in the application submitted under section 354(a);

“(2) documentation on the use of technical assistance grants under this part; and

“(3) in each case in which the company under this part makes an investment in, or a loan or grant to, a business that is not located in a low- or moderate-income geographic area, a report on the number and percentage of employees of the business who reside in such areas.

“SEC. 362. EXAMINATIONS.

“(a) IN GENERAL.—Each NMVC company shall be subject to examinations made at the direction of the Investment Division of the Administration, which may be conducted with the assistance of a private sector entity that has both the qualifications to conduct and the expertise in conducting such examinations.

“(b) ASSESSMENT OF COSTS.—The cost of such examinations, including the compensation of the examiners, may in the discretion of the Administrator be assessed against the company examined and when so assessed shall be paid by such company.

“(c) DEPOSIT OF FEES.—Fees collected under this section shall be deposited in the account for salaries and expenses of the Administration.

“SEC. 363. INJUNCTIONS AND OTHER ORDERS.

“(a) IN GENERAL.—If, in the judgment of the Administrator, an NMVC company or any other person has engaged or is about to engage in any act or practice that constitutes or will constitute a violation of any provision of this title (or any rule, regulation, or order issued under this title) or of a participation agreement entered into under this part—

“(1) the Administrator may make application to the proper district court of the United States or a United States court of any place subject to the jurisdiction of the United States for an order enjoining such act or practice, or for an order enforcing compliance with such provision; and

“(2) such court shall—

“(A) have jurisdiction over such application and any ensuing proceedings; and

“(B) upon a showing by the Administrator that such NMVC company or other person has engaged or is about to engage in any such act or practice, grant without bond a permanent or temporary injunction, restraining order, or other appropriate order.

“(b) POWERS OF COURT.—In any proceeding under subsection (a)—

“(1) the court as a court of equity may, to such extent as the court determines to be necessary, take exclusive jurisdiction of the NMVC company and the assets thereof, wherever located; and

“(2) the court shall have jurisdiction in any such proceeding to appoint a trustee or receiver to hold or administer under the direction of the court the assets so possessed.

“(c) TRUSTEE OR RECEIVER.—The Administrator is authorized to act as trustee or receiver of the NMVC company. Upon request by the Administrator, the court may appoint the Administrator to act in such capacity unless the court determines such appointment to be inequitable or otherwise inappropriate based on the special circumstances at issue.

“SEC. 364. UNLAWFUL ACTS AND OMISSIONS BY OFFICERS, DIRECTORS, EMPLOYEES, OR AGENTS; BREACH OF FIDUCIARY DUTY.

“(a) IN GENERAL.—If an NMVC company violates any provision of this title (or any rule or regulation issued under this title), or of a participation agreement entered into under this part, by failing to comply with the terms thereof or by engaging in any act or practice that constitutes or will constitute a violation thereof, such violation shall be deemed to be also a violation and an unlawful act on the part of any person who, directly or indirectly, authorizes, orders, participates in, or causes, brings about, counsels, aids, or abets in the commission of any act, practice, or transaction that constitutes or will constitute, in whole or in part, such violation.

“(b) BREACH OF FIDUCIARY DUTY.—It shall be unlawful for any officer, director, employee, agent, or other participant in the management or conduct of the affairs of an NMVC company to engage in any act or practice, or to omit any act, in breach of the fiduciary duty of such officer, director, employee, agent, or participant, if, as a result thereof, the NMVC company has suffered or is in imminent danger of suffering financial loss or other damage.

“(c) OTHER PROHIBITIONS.—Except with the written consent of the Administrator, it shall be unlawful—

“(1) for any person to take office as an officer, director, or employee of an NMVC company, or to become an agent or participant in the conduct of the affairs or management of an NMVC company, if that person—

“(A) has been convicted of a felony, or any other criminal offense involving dishonesty or breach of trust; or

“(B) has been found civilly liable in damages, or has been permanently or temporarily enjoined by order, judgment, or decree of a court of competent jurisdiction, by reason of any act or practice involving fraud or breach of trust; or

“(2) for any person to continue to serve in any of the above-described capacities, if that person is subsequently—

“(A) convicted of a felony, or any other criminal offense involving dishonesty or breach of trust; or

“(B) found civilly liable in damages, or is permanently or temporarily enjoined by an order, judgment, or decree of a court of competent jurisdiction, by reason of any act or practice involving fraud or breach of trust.

“(d) NOTICE.—The Administrator may serve upon any officer, director, employee, or other participant in the conduct of the management or other affairs of an NMVC company a written notice of the intention of the Administrator to remove that person from his or her position whenever, in the opinion of the Administrator, that person—

“(1) has willfully committed any substantial violation of—

“(A) this title (or any rule, regulation, or order issued under this title); or

“(B) a participation agreement entered into under this part; or

“(C) a cease-and-desist order that has become final; or

“(2) has willfully committed or engaged in any act, omission, or practice that constitutes a substantial breach of fiduciary duty, and that such violation or such breach

of fiduciary duty is one involving personal dishonesty on the part of such person.

“(e) SUSPENSION OR REMOVAL.—The Administrator may suspend or remove from office any person upon whom the Administrator has served a notice under subsection (d), in accordance with the procedures set forth in section 313.

“SEC. 365. REGULATIONS.

“The Administrator may promulgate such regulations as the Administrator determines to be necessary to carry out this part.

“SEC. 366. AUTHORIZATIONS.

“(a) IN GENERAL.—For fiscal years 2000 through 2005, the Administration is authorized to be appropriated, to remain available until expended—

“(1) such subsidy budget authority as may be necessary to guarantee \$150,000,000 of debentures under this part; and

“(2) \$30,000,000 to make grants under this part.

“(b) FUNDS COLLECTED FOR EXAMINATIONS.—Funds deposited under section 362(c) are authorized to be appropriated only for the costs of examinations under section 362 and for the costs of other oversight activities with respect to the program established under this part.”.

(b) CONFORMING AMENDMENT.—Section 20(e)(1)(C) of the Small Business Act (15 U.S.C. 631 note) is amended by inserting “part A of” before “title III”.

SEC. 802. BANKRUPTCY EXEMPTION FOR NMVC COMPANIES.

Section 109(b)(2) of title 11, United States Code, is amended by inserting after “homestead association,” the following: “a new markets venture capital company (as defined in section 351 of the Small Business Investment Act of 1958).”.

SEC. 803. FEDERAL SAVINGS ASSOCIATIONS.

Section 5(c)(4) of the Home Owners' Loan Act (12 U.S.C. 1464(c)(4)) is amended by adding at the end the following:

“(F) NEW MARKETS VENTURE CAPITAL COMPANIES.—A Federal savings association may invest in stock, obligations, or other securities of any new markets venture capital company (as defined in section 351 of the Small Business Investment Act of 1958). A Federal savings association may not make any investment under this subparagraph if its aggregate outstanding investment under this subparagraph would exceed 5 percent of the capital and surplus of such savings association.”.

**Subtitle B—Community Development
Venture Capital Assistance****SEC. 811. FINDINGS.**

Congress finds that—

(1) there is a need for the development and expansion of organizations that provide private equity capital to smaller businesses in areas in which equity-type capital is scarce, such as inner cities and rural areas, in order to create and retain jobs for low-income residents of those areas;

(2) to invest successfully in smaller businesses, particularly in inner cities and rural areas, requires highly specialized investment and management skills;

(3) there is a shortage of professionals who possess such skills and there are few training grounds for individuals to obtain those skills;

(4) providing assistance to organizations that provide specialized technical assistance and training to individuals and organizations seeking to enter or expand in this segment of the market would stimulate small business development and entrepreneurship in economically distressed communities; and

(5) assistance from the Federal Government could act as a catalyst to attract investment from the private sector and would

help to develop a specialized venture capital industry focused on creating jobs, increasing business ownership, and generating wealth in low-income communities.

SEC. 812. COMMUNITY DEVELOPMENT VENTURE CAPITAL ACTIVITIES.

(a) IN GENERAL.—The Small Business Act (15 U.S.C. 631 et seq.) is amended—

(1) by redesignating section 34 as section 35; and

(2) by inserting after section 33 the following:

“SEC. 34. COMMUNITY DEVELOPMENT VENTURE CAPITAL ACTIVITIES.

“(a) DEFINITIONS.—In this section:

“(1) COMMUNITY DEVELOPMENT VENTURE CAPITAL ORGANIZATION.—The term ‘community development venture capital organization’ means a privately-controlled organization that—

“(A) has a primary mission of promoting community development in low-income communities, as defined by the Administrator, through investment in private business enterprises; or

“(B) administers or is in the process of establishing a community development venture capital fund for the purpose of making equity investments in private business enterprises in such communities.

“(2) DEVELOPMENTAL ORGANIZATION.—The term ‘developmental organization’—

“(A) means a public or private entity, including a college or university, that provides technical assistance to community development venture capital organizations or that conducts research or training in community development venture capital investment; and

“(B) may include an intermediary organization.

“(3) INTERMEDIARY ORGANIZATION.—The term ‘intermediary organization’—

“(A) means a private, nonprofit entity that has—

“(i) a primary mission of promoting community development through investment in private businesses in low-income communities; and

“(ii) significant prior experience in providing technical assistance or financial assistance to community development venture capital organizations;

“(B) may include community development venture capital organizations.

“(b) AUTHORITY.—In order to promote the development of community development venture capital organizations, the Administrator, may—

“(1) enter into contracts with 1 or more developmental organizations to carry out training and research activities under subsection (c); and

“(2) make grants in accordance with this section—

“(A) to developmental organizations to carry out training and research activities under subsection (c); and

“(B) to intermediary organizations to provide intensive marketing, management, and technical assistance and training to community development venture capital organizations under subsection (d).

“(c) TRAINING AND RESEARCH ACTIVITIES.—

“(1) IN GENERAL.—Subject to paragraph (2), a developmental organization that receives a grant under subsection (b) shall use the funds made available through the grant for 1 or more of the following training and research activities:

“(A) **STRENGTHENING PROFESSIONAL SKILLS.—**Creating and operating training programs to enhance the professional skills for individuals in community development venture capital organizations or operating private community development venture capital funds.

“(B) **INCREASING INTEREST IN COMMUNITY DEVELOPMENT VENTURE CAPITAL.—**Creating and operating a program to select and place students and recent graduates from business and related professional schools as interns with community development venture capital organizations and intermediary organizations for a period of up to 1 year, and to provide stipends for such interns during the internship period.

“(C) **PROMOTING ‘BEST PRACTICES’.—**Organizing an annual national conference for community development venture capital organizations to discuss and share information on the best practices regarding issues relevant to the creation and operation of community development venture capital organizations.

“(D) **MOBILIZING ACADEMIC RESOURCES.—**Encouraging the formation of 1 or more centers for the study of community development venture capital at graduate schools of business and management, providing funding for the development of materials for courses on topics in this area, and providing funding for research on economic, operational, and policy issues relating to community development venture capital.

“(2) **LIMITATION.—**The Administrator shall ensure that not more than 25 percent of the amount made available to carry out this section is used for activities described in paragraph (1).

“(d) **INTENSIVE MARKETING, MANAGEMENT, AND TECHNICAL ASSISTANCE AND TRAINING.—**An intermediary organization that receives a grant under subsection (b) shall use the funds made available through the grant to provide intensive marketing, management, and technical assistance and training to promote the development of community development venture capital organizations, which assistance may include grants to community development venture capital organizations for the start up costs and operating support of those organizations.

“(e) **MATCHING CONTRIBUTION REQUIREMENT.—**The Administrator shall require, as a condition of any grant made to an intermediary organization under this section, that a matching contribution equal to the amount of such grant be provided from sources other than the Federal Government.

“(f) **AUTHORIZATION OF APPROPRIATIONS.—**There is authorized to be appropriated to carry out this section \$20,000,000 for fiscal years 2000 through 2003, to remain available until expended.”.

(b) **REQUIREMENTS.—**The Administrator of the Small Business Administration may promulgate such regulations as may be necessary to carry out section 34 of the Small Business Act, as amended by this section, which regulations may take effect upon issuance.

Subtitle C—Business LINC

SEC. 821. GRANTS AUTHORIZED.

Section 8 of the Small Business Act (15 U.S.C. 637) is amended by adding at the end the following:

“(m) BUSINESS LINC GRANTS.—

“(1) IN GENERAL.—The Administrator may make grants to and enter into cooperative agreements with any coalition of private or public sector participants that—

“(A) expand business-to-business relationships between large and small businesses; and

“(B) provide businesses, directly or indirectly, with online information and a database of companies that are interested in mentor-protégé programs or community-based, state-wide, or local business development programs.

“(2) **MATCHING REQUIREMENTS.—**

“(A) IN GENERAL.—Subject to subparagraph (B), the Administrator may make grants to

and enter into cooperative agreements with any coalition of private or public sector participants if the coalition provides a matching amount, either in-kind or in cash, equal to the grant amount.

“(B) **WAIVER.—**In the best interests of the program, the Administrator may waive the requirements for matching funds to be provided by the coalition.

“(3) **AUTHORIZATION OF APPROPRIATIONS.—**There is authorized to be appropriated to carry out this subsection \$6,600,000 for each of fiscal years 2000 through 2003, to remain available until expended.”.

SEC. 822. REGULATIONS.

The Administrator of the Small Business Administration may promulgate such regulations as the Administration determines to be necessary to carry out this title and the amendment made by this title.

TITLE IX—BOND VOLUME CAP AND LOW-INCOME HOUSING CREDIT INCREASES

SEC. 901. INCREASE IN STATE CEILING ON PRIVATE ACTIVITY BONDS.

(a) IN GENERAL.—Paragraphs (1) and (2) of section 146(d) (relating to State ceiling) are amended to read as follows:

“(1) IN GENERAL.—The State ceiling applicable to any State for any calendar year shall be the greater of—

“(A) an amount equal to \$75 multiplied by the State population, or

“(B) \$225,000,000.

Subparagraph (B) shall not apply to any possession of the United States.

“(2) **INFLATION ADJUSTMENT.—**In the case of a calendar year after 2001, each of the dollar amounts contained in paragraph (1) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 2000’ for ‘calendar year 1992’ in subparagraph (B) thereof.

If any increase determined under the preceding sentence is not a multiple of \$1 (\$250 in the case of the dollar amount in paragraph (1)(B), such increase shall be rounded to the nearest multiple thereof.”.

(c) **EFFECTIVE DATE.—**The amendments made by this section shall apply to calendar years after 2000.

SEC. 902. INCREASE IN STATE CEILING ON LOW-INCOME HOUSING CREDIT.

(a) IN GENERAL.—Clause (i) of section 42(h)(3)(C) (relating to State housing credit ceiling) is amended by striking “\$1.25” and inserting “\$1.75”.

(b) **ADJUSTMENT OF STATE CEILING FOR INCREASES IN COST-OF-LIVING.—**Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies) is amended by adding at the end the following new subparagraph:

“(H) **COST-OF-LIVING ADJUSTMENT.—**

“(i) IN GENERAL.—In the case of a calendar year after 2001, the dollar amount contained in subparagraph (C)(i) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 2000’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) **ROUNDING.—**If any increase under clause (i) is not a multiple of 5 cents, such increase shall be rounded to the next lowest multiple of 5 cents.”.

(c) **EFFECTIVE DATE.—**The amendments made by this section shall apply to calendar years after 2000.

TITLE X—INDIVIDUAL DEVELOPMENT ACCOUNTS

SEC. 1001. FINDINGS.

Congress makes the following findings:

(1) One-third of all Americans have no assets available for investment, and another 20 percent have only negligible assets. The household savings rate of the United States lags far behind other industrial nations, presenting a barrier to national economic growth and preventing many Americans from entering the economic mainstream by buying a house, obtaining an adequate education, or starting a business.

(2) By building assets, Americans can improve their economic independence and stability, stimulate the development of human and other capital, and work toward a viable and hopeful future for themselves and their children. Thus, economic well-being does not come solely from income, spending, and consumption, but also requires savings, investment, and accumulation of assets.

(3) Traditional public assistance programs based on income and consumption have rarely been successful in promoting and supporting the transition to increased economic self-sufficiency. Income-based social policies that meet consumption needs (including food, child care, rent, clothing, and health care) should be complemented by asset-based policies that can provide the means to achieve long-term independence and economic well-being.

(4) Individual Development Accounts (IDAs) can provide working Americans with strong incentives to build assets, basic financial management training, and access to secure and relatively inexpensive banking services.

(5) There is reason to believe that Individual Development Accounts would also foster greater participation in electric fund transfers (EFT), generate financial returns, including increased income, tax revenue, and decreased welfare cash assistance, that will far exceed the cost of public investment in the program.

SEC. 1002. PURPOSES.

The purposes of this title are to provide for the establishment of individual development account programs that will—

(1) provide individuals and families with limited means an opportunity to accumulate assets and to enter the financial mainstream;

(2) promote education, homeownership, and the development of small businesses;

(3) stabilize families and build communities; and

(4) support continued United States economic expansion.

SEC. 1003. DEFINITIONS.

As used in this title:

(1) ELIGIBLE INDIVIDUAL.—

(A) IN GENERAL.—The term “eligible individual” means an individual who—

(i) has attained the age of 18 years;

(ii) is a citizen or legal resident of the United States; and

(iii) is a member of a household the gross income of which does not exceed 80 percent of the median family income for the area in which such individual resides (as published by the Department of Housing and Urban Affairs).

(B) HOUSEHOLD.—The term “household” means all individuals who share use of a dwelling unit as primary quarters for living and eating separate from other individuals.

(2) INDIVIDUAL DEVELOPMENT ACCOUNT.—The term “Individual Development Account” means an account established for an eligible individual as part of a qualified individual development account program, but only if the written governing instrument creating the account meets the following requirements:

(A) The sole owner of the account is the eligible individual.

(B) No contribution will be accepted unless it is in cash, by check, by electronic fund transfer, or by electronic money order.

(C) The holder of the account is a qualified financial institution, a qualified nonprofit organization, or an Indian tribe.

(D) The assets of the account will not be commingled with other property except in a common trust fund or common investment fund.

(E) Except as provided in section 1015(b), any amount in the account may be paid out only for the purpose of paying the qualified expenses of the eligible individual.

(3) PARALLEL ACCOUNT.—The term “parallel account” means a separate, parallel individual or pooled account for all matching funds and earnings dedicated to an eligible individual as part of a qualified individual account program, the sole owner of which is a qualified financial institution, a qualified nonprofit organization, or an Indian tribe.

(4) QUALIFIED FINANCIAL INSTITUTION.—

(A) IN GENERAL.—The term “qualified financial institution” means any person authorized to be a trustee of any individual retirement account under section 408(a)(2).

(B) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed as preventing a person described in subparagraph (A) from collaborating with 1 or more qualified nonprofit organizations or Indian tribes to carry out an individual development account program established under section 1011.

(5) QUALIFIED NONPROFIT ORGANIZATION.—The term “qualified nonprofit organization” means—

(A)(i) any organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code;

(ii) any community development financial institution as certified by the Community Development Financial Institution Fund; or

(iii) any credit union certified by the National Credit Union Administration, that meets standards for financial management and fiduciary responsibility as defined by the Secretary or an organization designated by the Secretary.

(6) INDIAN TRIBE.—The term “Indian tribe” means any Indian tribe as defined in section 4(12) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103(12), and includes any tribal subsidiary, subdivision, or other wholly owned tribal entity.

(7) QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM.—The term “qualified individual development program” means a program established under section 1011 under which—

(A) individual development accounts and parallel accounts are held by a qualified financial institution, a qualified nonprofit organization, or an Indian tribe; and

(B) additional activities determined by the Secretary, or an organization designated by the Secretary, as necessary to responsibly develop and administer accounts, including recruiting, providing financial education and other training to account holders, and regular program monitoring, are carried out by such qualified financial institution, qualified nonprofit organization, or Indian tribe.

(8) QUALIFIED EXPENSE DISTRIBUTION.—

(A) IN GENERAL.—The term “qualified expense distribution” means any amount paid (including through electronic payments) or distributed out of an Individual Development Account and a parallel account established for an eligible individual if such amount—

(i) is used exclusively to pay the qualified expenses of such individual or such individual's spouse or dependents,

(ii) is paid by the qualified financial institution, qualified nonprofit organization, or

Indian tribe directly to the person to whom the amount is due or to another Individual Development Account, and

(iii) is paid after the holder of the Individual Development Account has completed a financial education course as required under section 1012(b).

(B) QUALIFIED EXPENSES.—

(i) IN GENERAL.—The term “qualified expenses” means any of the following:

(I) Qualified higher education expenses.

(II) Qualified first-time homebuyer costs.

(III) Qualified business capitalization or expansion costs.

(IV) Qualified rollovers.

(ii) QUALIFIED HIGHER EDUCATION EXPENSES.—

(I) IN GENERAL.—The term “qualified higher education expenses” has the meaning given such term by section 72(t)(7) of the Internal Revenue Code of 1986, determined by treating postsecondary vocational educational schools as eligible educational institutions.

(II) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—The term “postsecondary vocational educational school” means an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections are in effect on the date of enactment of this Act.

(III) COORDINATION WITH OTHER BENEFITS.—The amount of qualified higher education expenses for any taxable year shall be reduced as provided in section 25A(g)(2) of such Code and by the amount of such expenses for which a credit or exclusion is allowed under chapter 1 of such Code for such taxable year.

(iii) QUALIFIED FIRST-TIME HOMEBUYER COSTS.—The term “qualified first-time homebuyer costs” means qualified acquisition costs (as defined in section 72(t)(8) of such Code without regard to subparagraph (B) thereof) with respect to a principal residence (within the meaning of section 121 of such Code) for a qualified first-time homebuyer (as defined in section 72(t)(8) of such Code).

(iv) QUALIFIED BUSINESS CAPITALIZATION OR EXPANSION COSTS.—

(I) IN GENERAL.—The term “qualified business capitalization or expansion costs” means qualified expenditures for the capitalization or expansion of a qualified business pursuant to a qualified business plan.

(II) QUALIFIED EXPENDITURES.—The term “qualified expenditures” means expenditures included in a qualified business plan, including capital, plant, equipment, working capital, inventory expenses, attorney and accounting fees, and other costs normally associated with starting or expanding a business.

(III) QUALIFIED BUSINESS.—The term “qualified business” means any business that does not contravene any law.

(IV) QUALIFIED BUSINESS PLAN.—The term “qualified business plan” means a business plan which meets such requirements as the Secretary or an organization designated by the Secretary may specify.

(v) QUALIFIED ROLLOVERS.—The term “qualified rollover” means, with respect to any distribution from an Individual Development Account, the payment, within 120 days of such distribution, of all or a portion of such distribution to such account or to another Individual Development Account established in another qualified financial institution, qualified nonprofit organization, or Indian tribe for the benefit of the eligible individual. Rules similar to the rules of section 408(d)(3) of such Code (other than subparagraph (C) thereof) shall apply for purposes of this clause.

(9) SECRETARY.—The term “Secretary” means the Secretary of the Treasury.

Subtitle A—Individual Development Accounts for Low-Income Workers

SEC. 1011. STRUCTURE AND ADMINISTRATION OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.

(a) **ESTABLISHMENT OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.**—Any qualified financial institution, qualified nonprofit organization, or Indian tribe may establish 1 or more qualified individual development account programs which meet the requirements of this title.

(b) **BASIC PROGRAM STRUCTURE.**—

(1) **IN GENERAL.**—All qualified individual development account programs shall consist of the following 2 components:

(A) An Individual Development Account to which an eligible individual may contribute money in accordance with section 1013.

(B) A parallel account to which all matching funds shall be deposited in accordance with section 1014.

(2) **TAILORED IDA PROGRAMS.**—A qualified financial institution, qualified nonprofit organization, or Indian tribe may tailor its qualified individual development account program to allow matching funds to be spent on 1 or more of the categories of qualified expenses.

(c) **ACCOUNT POPULATION DISTRIBUTION REQUIREMENT.**—An individual development account program shall be treated as qualified under this title only if not less than one third of the Individual Development Accounts under such program are owned by eligible individuals each of whom is a member of a household the gross income of which does not exceed 50 percent of the median family income for the area in which such individuals reside (as published by the Department of Housing and Urban Affairs).

(d) **TAX TREATMENT OF ACCOUNTS.**—Any account described in subparagraph (B) of subsection (b)(1) is exempt from taxation under the Internal Revenue Code of 1986 unless such account has ceased to be such an account by reason of section 1015(c) or the termination of the qualified individual development account program under section 1016(b).

SEC. 1012. PROCEDURES FOR OPENING AN INDIVIDUAL DEVELOPMENT ACCOUNT AND QUALIFYING FOR MATCHING FUNDS.

(a) **OPENING AN ACCOUNT.**—An eligible individual must open an Individual Development Account with a qualified financial institution, qualified nonprofit organization, or Indian tribe and contribute money in accordance with section 1013 to qualify for matching funds in a parallel account.

(b) **REQUIRED COMPLETION OF FINANCIAL EDUCATION COURSE.**—

(1) **IN GENERAL.**—Before becoming eligible to withdraw matching funds to pay for qualified expenses, holders of Individual Development Accounts must complete a financial education course offered by a qualified financial institution, a qualified nonprofit organization, an Indian tribe, or a government entity.

(2) **STANDARD AND APPLICABILITY OF COURSE.**—The Secretary or an organization designated by the Secretary, in consultation with representatives of qualified individual development account programs and financial educators, shall establish minimum performance standards for financial education courses offered under paragraph (1) and a protocol to exempt eligible individuals from the requirement under paragraph (1) because of hardship or lack of need.

SEC. 1013. CONTRIBUTIONS TO INDIVIDUAL DEVELOPMENT ACCOUNTS.

(a) **IN GENERAL.**—Except in the case of a qualified rollover, individual contributions to an Individual Development Account will not be accepted for the taxable year in excess of the lesser of—

(1) \$2,000; or

(2) an amount equal to the sum of—

(A) the compensation (as defined in section 219(f)(1) of the Internal Revenue Code of 1986) includible in the individual's gross income for such taxable year; and

(B) in the case of an eligible individual who has attained age 65 or retired on disability (within the meaning of section 22 of the Internal Revenue Code of 1986) before the close of the taxable year, any amount received as a pension or annuity or as a disability benefit and excluded from the individual's gross income for such taxable year.

(b) **PROOF OF COMPENSATION AND STATUS AS AN ELIGIBLE INDIVIDUAL.**—Federal W-2 forms and other forms specified by the Secretary proving the eligible individual's wages and other compensation (including amounts described in subsection (a)(2)(B)) and the status of the individual as an eligible individual shall be presented at the time of the establishment of the Individual Development Account and at least once annually thereafter.

(c) **TIME WHEN CONTRIBUTIONS DEEMED MADE.**—For purposes of this section, a taxpayer shall be deemed to have made a contribution to an Individual Development Account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the Federal income tax return for such taxable year (not including extensions thereof).

(d) **DEEMED WITHDRAWALS OF EXCESS CONTRIBUTIONS.**—If the individual for whose benefit an Individual Development Account is established contributes an amount in excess of the amount allowed under subsection (a) and fails to withdraw the excess contribution plus the amount of net income attributable to such excess contribution on or before the day prescribed by law (including extensions of time) for filing such individual's return of tax for the taxable year, such excess contribution and net income shall be deemed to have been withdrawn on such day by such individual for purposes other than to pay qualified expenses.

(e) **CROSS REFERENCE.**—

For designation of earned income tax credit payments for deposit to an Individual Development Account, see section 32(o) of the Internal Revenue Code of 1986.

SEC. 1014. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.

(a) **PARALLEL ACCOUNTS.**—The qualified financial institution, qualified nonprofit organization, or Indian tribe shall deposit all matching funds for each Individual Development Account into a parallel account at a qualified financial institution, qualified nonprofit organization, or Indian tribe.

(b) **REGULAR DEPOSITS OF MATCHING FUNDS.**—

(1) **IN GENERAL.**—Subject to paragraph (2), the qualified financial institution, qualified nonprofit organization, or Indian tribe shall not less than annually deposit into the parallel account with respect to each eligible individual the following:

(A) A dollar-for-dollar match for the first \$500 contributed by the eligible individual into an Individual Development Account with respect to any taxable year.

(B) Any matching funds provided by State, local, or private sources in accordance to the matching ratio set by those sources.

(2) **CROSS REFERENCE.**—

For allowance of tax credit for Individual Development Account subsidies, including matching funds, see section 30B of the Internal Revenue Code of 1986.

(c) **FORFEITURE OF MATCHING FUNDS.**—Matching funds that are forfeited under sec-

tion 1015(b) shall be used by the qualified financial institution, qualified nonprofit organization, or Indian tribe to pay matches for other Individual Development Account contributions by eligible individuals.

(d) **UNIFORM ACCOUNTING REGULATIONS.**—The Secretary shall prescribe regulations with respect to accounting for matching funds from all possible sources in the parallel accounts.

(e) **REGULAR REPORTING OF ACCOUNTS.**—Any qualified financial institution, qualified nonprofit organization, or Indian tribe shall report the balances in any Individual Development Account and parallel account of an eligible individual on not less than an annual basis.

SEC. 1015. WITHDRAWAL PROCEDURES.

(a) **WITHDRAWALS FOR QUALIFIED EXPENSES.**—To withdraw money from an eligible individual's Individual Development Account to pay qualified expenses of such individual or such individual's spouse or dependents, the qualified financial institution, qualified nonprofit organization, or Indian tribe shall directly transfer such funds from the Individual Development Account, and, if applicable, from the parallel account electronically to the vendor or other Individual Development Account. If the vendor is not equipped to receive funds electronically, the qualified financial institution, qualified nonprofit organization, or Indian tribe may issue such funds by paper check to the vendor.

(b) **WITHDRAWALS FOR NONQUALIFIED EXPENSES.**—An Individual Development Account holder may unilaterally withdraw funds from the Individual Development Account for purposes other than to pay qualified expenses, but shall forfeit the corresponding matching funds and interest earned on the matching funds by doing so, unless such withdrawn funds are recontributed to such Account by September 30 following the withdrawal.

(c) **DEEMED WITHDRAWALS FROM ACCOUNTS OF NONELIGIBLE INDIVIDUALS.**—If the individual for whose benefit an Individual Development Account is established ceases to be an eligible individual, such account shall cease to be an Individual Development Account as of the first day of the taxable year of such individual and any balance in such account shall be deemed to have been withdrawn on such first day by such individual for purposes other than to pay qualified expenses.

(d) **TAX TREATMENT OF MATCHING FUNDS.**—Any amount withdrawn from a parallel account shall not be includible in an eligible individual's gross income.

SEC. 1016. CERTIFICATION AND TERMINATION OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.

(a) **CERTIFICATION PROCEDURES.**—Upon establishing a qualified individual development account program under section 1011, a qualified financial institution, qualified nonprofit organization, or Indian tribe shall certify to the Secretary, or an organization designated by the Secretary, on forms prescribed by the Secretary or such organization and accompanied by any documentation required by the Secretary or such organization, that—

(1) the accounts described in subparagraphs (A) and (B) of section 1011(b)(1) are operating pursuant to all the provisions of this title; and

(2) the qualified financial institution, qualified nonprofit organization, or Indian tribe agrees to implement an information system necessary to monitor the cost and outcomes of the qualified individual development account program.

(b) **AUTHORITY TO TERMINATE QUALIFIED IDA PROGRAM.**—If the Secretary, or an organization designated by the Secretary, determines that a qualified financial institution, qualified nonprofit organization, or Indian tribe under this title is not operating a qualified individual development account program in accordance with the requirements of this title (and has not implemented any corrective recommendations directed by the Secretary or such organization), the Secretary or such organization shall terminate such institution's, nonprofit organization's, or Indian tribe's authority to conduct the program. If the Secretary, or an organization designated by the Secretary, is unable to identify a qualified financial institution, qualified nonprofit organization, or Indian tribe to assume the authority to conduct such program, then any account established for the benefit of any eligible individual under such program shall cease to be an Individual Development Account as of the first day of such termination and any balance in such account shall be deemed to have been withdrawn on such first day by such individual for purposes other than to pay qualified expenses.

SEC. 1017. REPORTING, MONITORING, AND EVALUATION.

(a) **RESPONSIBILITIES OF QUALIFIED FINANCIAL INSTITUTIONS, QUALIFIED NONPROFIT ORGANIZATIONS, AND INDIAN TRIBES.**—Each qualified financial institution, qualified nonprofit organization, or Indian tribe that establishes a qualified individual development account program under section 1011 shall report annually to the Secretary, directly or through an organization designated by the Secretary, within 90 days after the end of each calendar year on—

(1) the number of eligible individuals making contributions into Individual Development Accounts;

(2) the amounts contributed into Individual Development Accounts and deposited into parallel accounts for matching funds;

(3) the amounts withdrawn from Individual Development Accounts and parallel accounts, and the purposes for which such amounts were withdrawn;

(4) the balances remaining in Individual Development Accounts and parallel accounts; and

(5) such other information needed to help the Secretary, or an organization designated by the Secretary, monitor the cost and outcomes of the qualified individual development account program.

(b) **RESPONSIBILITIES OF THE SECRETARY OR DESIGNATED ORGANIZATION.**—

(1) **MONITORING PROTOCOL.**—Not later than 12 months after the date of enactment of this Act, the Secretary, or an organization designated by the Secretary, shall develop and implement a protocol and process to monitor the cost and outcomes of the qualified individual development account programs established under section 1011.

(2) **ANNUAL REPORTS.**—In each year after the date of enactment of this Act, the Secretary, or an organization designated by the Secretary, shall issue a progress report on the status of such qualified individual development account programs. Such report shall include from a representative sample of qualified financial institutions, qualified nonprofit organizations, and Indian tribes a report on—

(A) the characteristics of participants, including age, gender, race or ethnicity, marital status, number of children, employment status, and monthly income;

(B) individual level data on deposits, withdrawals, balances, uses of Individual Development Accounts, and participant characteristics;

(C) the characteristics of qualified individual development account programs, including match rate, economic education requirements, permissible uses of accounts, staffing of programs in full time employees, and the total costs of programs; and

(D) process information on program implementation and administration, especially on problems encountered and how problems were solved.

(3) **APPROPRIATIONS FOR MONITORING.**—There is authorized to be appropriated \$5,000,000 for the purposes of monitoring qualified individual development account programs established under section 1011, to remain available until expended.

SEC. 1018. CERTAIN ACCOUNT FUNDS OF PROGRAM PARTICIPANTS DISREGARDED FOR PURPOSES OF CERTAIN MEANS-TESTED FEDERAL PROGRAMS.

Notwithstanding any provision of the Internal Revenue Code of 1986 or the Social Security Act that requires consideration of 1 or more financial circumstances of an individual, for the purposes of determining eligibility to receive, or the amount of, any assistance or benefit authorized by such provision to be provided to or for the benefit of such individual, the sum of—

(1) the lesser of—

(A) the sum of all contributions by an eligible individual (including earnings thereon) to any Individual Development Account; or

(B) \$10,000; plus

(2) the sum of the matching deposits made on behalf of such individual (including earnings thereon) in any parallel account, shall be disregarded for such purpose with respect to any period during which the individual participates in a qualified individual development account program established under section 1011.

Subtitle B—Qualified Individual Development Account Program Investment Credits

SEC. 1021. QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM INVESTMENT CREDITS.

(a) **IN GENERAL.**—Subpart B of part IV of subchapter A of chapter 1 (relating to other credits) is amended by inserting after section 30A the following:

“SEC. 30B. QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM INVESTMENT CREDIT.

“(a) **DETERMINATION OF AMOUNT.**—There shall be allowed as a credit against the applicable tax for the taxable year an amount equal to the qualified individual development account program investment provided by a taxpayer during the taxable year under a qualified individual development account program established under section 1011 of the American Community Renewal and New Markets Empowerment Act.

“(b) **APPLICABLE TAX.**—For the purposes of this section, the term ‘applicable tax’ means the excess (if any) of—

“(1) the tax imposed under this chapter (other than the taxes imposed under the provisions described in subparagraphs (C) through (Q) of section 26(b)(2)), over

“(2) the credits allowable under subpart B (other than this section) and subpart D of this part.

“(c) **QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM INVESTMENT.**—For purposes of this section, the term ‘qualified individual development account program investment’ means an amount equal to—

“(1) in the case of a taxpayer which is a qualified financial institution, the sum of—

“(A) the lesser of—

“(i) 90 percent of the aggregate amount of dollar-for-dollar matches under any qualified individual development account program by such taxpayer under section 1014 of the American Community Renewal and New

Markets Empowerment Act for such taxable year, or

“(ii) \$90,000,000, plus

“(B) the lesser of—

“(i) 50 percent of the aggregate costs paid or incurred under such program by the taxpayer during such taxable year—

“(I) to provide financial education courses to Individual Development Account holders under section 1012(b) of such Act, and

“(II) to underwrite program activities described in section 503(6)(B) of such Act), or

“(ii) \$1,500,000, and

“(2) in the case of a taxpayer which is not a qualified financial institution and which meets the requirement described in paragraph (2) of subsection (d), the lesser of—

“(A) the sum of—

“(i) 50 percent of the aggregate amount of such dollar-for-dollar matches by such taxpayer for such taxable year, plus

“(ii) 50 percent of the aggregate costs described in paragraph (1)(B)(i) paid under such program by the taxpayer during such taxable year, or

“(B) \$5,000,000.

“(d) **DEFINITIONS AND SPECIAL RULES.**—

“(1) **IN GENERAL.**—For purposes of this section, the terms ‘Individual Development Account’, ‘qualified individual development account program’, and ‘qualified financial institution’ have the meanings given such terms by section 1003 of the American Community Renewal and New Markets Empowerment Act.

“(2) **REQUIREMENT FOR TAXPAYERS WHICH ARE NOT QUALIFIED FINANCIAL INSTITUTIONS.**—The requirement described in this paragraph with respect to any taxpayer which is not a qualified financial institution is the requirement that at least 70 percent of the expenditures by such taxpayer with respect to any qualified individual development account program for any taxable year are described in subsection (c)(2)(A).

“(3) **CERTAIN RULES MADE APPLICABLE.**—Rules similar to the rules of paragraphs (1) and (2) of section 41(f) shall apply for purposes of this section.

“(4) **DENIAL OF DOUBLE BENEFIT.**—No deduction or credit under any other provision of this chapter shall be allowed with respect to qualified individual development account program investments taken into account under subsection (a).

“(e) **REGULATIONS.**—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations providing for a reduction of the credit allowed under this section for any taxable year by the amount of any forfeiture under section 1015(b) of the American Community Renewal and New Markets Empowerment Act in such taxable year of any amount which was taken into account in determining the amount of such credit in a preceding taxable year.

“(f) **TERMINATION.**—This section shall not apply to any taxable year beginning after December 31, 2006.”.

(b) **CONFORMING AMENDMENT.**—The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 30A the following:

“Sec. 30B. Qualified individual development account program investment credit.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 1022. CRA CREDIT TREATMENT FOR QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM INVESTMENTS.

Qualified financial institutions which establish qualified individual development account programs under section 1011 shall not

receive credit for funding, administration, and education expenses under any test contained in regulations for the Community Reinvestment Act of 1977 for those activities and expenses related to such programs and taken into account for purposes of the tax credit allowed under section 30B of the Internal Revenue Code of 1986.

SEC. 1023. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEPOSIT TO INDIVIDUAL DEVELOPMENT ACCOUNTS.

(a) IN GENERAL.—Section 32 (relating to earned income credit) is amended by adding at the end the following:

“(o) DESIGNATION OF CREDIT FOR DEPOSIT TO INDIVIDUAL DEVELOPMENT ACCOUNT.—

“(1) IN GENERAL.—With respect to the return of any eligible individual (as defined in section 1003(1) of the American Community Renewal and New Markets Empowerment Act) for the taxable year of the tax imposed by this chapter, such individual may designate that a specified portion (not less than \$1) of any overpayment of tax for such taxable year which is attributable to the credit allowed under this section shall be deposited by the Secretary into an Individual Development Account (as defined in section 1003(2) of such Act) of such individual. The Secretary shall so deposit such portion designated under this paragraph.

“(2) MANNER AND TIME OF DESIGNATION.—A designation under paragraph (1) may be made with respect to any taxable year—

“(A) at the time of filing the return of the tax imposed by this chapter for such taxable year, or

“(B) at any other time (after the time of filing the return of the tax imposed by this chapter for such taxable year) specified in regulations prescribed by the Secretary. Such designation shall be made in such manner as the Secretary prescribes by regulations.

“(3) PORTION ATTRIBUTABLE TO EARNED INCOME TAX CREDIT.—For purposes of paragraph (1), an overpayment for any taxable year shall be treated as attributable to the credit allowed under this section for such taxable year to the extent that such overpayment does not exceed the credit so allowed.

“(4) OVERPAYMENTS TREATED AS REFUNDED.—For purposes of this title, any portion of an overpayment of tax designated under paragraph (1) shall be treated as being refunded to the taxpayer as of the last date prescribed for filing the return of tax imposed by this chapter (determined without regard to extensions) or, if later, the date the return is filed.

“(5) TERMINATION.—This subsection shall not apply to any taxable year beginning after December 31, 2006.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE XI—CHARITABLE CHOICE EXPANSION

SEC. 1101. PROVISION OF ASSISTANCE UNDER GOVERNMENT PROGRAMS BY RELIGIOUS ORGANIZATIONS.

Title XXIV of the Revised Statutes is amended by inserting after section 1990 (42 U.S.C. 1994) the following:

“SEC. 1994A. CHARITABLE CHOICE.

“(a) SHORT TITLE.—This section may be cited as the ‘Charitable Choice Expansion Act of 2000’.

“(b) PURPOSE.—The purposes of this section are—

“(1) to prohibit discrimination against nongovernmental organizations and certain individuals on the basis of religion in the distribution of government funds to provide government assistance and distribution of such assistance, under government programs described in subsection (c); and

“(2) to allow such organizations to accept such funds to provide such assistance to such individuals without impairing the religious character of such organizations or the religious freedom of such individuals.

“(c) RELIGIOUS ORGANIZATIONS INCLUDED AS NONGOVERNMENTAL PROVIDERS.—For any program carried out by the Federal Government, or by a State or local government with Federal funds, in which the Federal, State, or local government is authorized to use nongovernmental organizations, through contracts, grants, certificates, vouchers, or other forms of disbursement, to provide assistance to beneficiaries under the program, the government shall consider, on the same basis as other nongovernmental organizations, religious organizations to provide the assistance under the program, so long as the program is implemented in a manner consistent with the Establishment Clause of the first amendment to the Constitution. Neither the Federal Government nor a State or local government receiving funds under such program shall discriminate against an organization that provides assistance under, or applies to provide assistance under, such program, on the basis that the organization has a religious character.

“(d) EXCLUSIONS.—As used in subsection (c), the term ‘program’ does not include activities carried out under—

“(1) Federal programs providing education to children eligible to attend elementary schools or secondary schools, as defined in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801) (except for activities to assist students in obtaining the recognized equivalents of secondary school diplomas);

“(2) the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.);

“(3) the Head Start Act (42 U.S.C. 9831 et seq.); or

“(4) the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.).

“(e) RELIGIOUS CHARACTER AND INDEPENDENCE.—

“(1) IN GENERAL.—A religious organization that provides assistance under a program described in subsection (c) shall retain its independence from Federal, State, and local governments, including such organization’s control over the definition, development, practice, and expression of its religious beliefs.

“(2) ADDITIONAL SAFEGUARDS.—Neither the Federal Government nor a State or local government shall require a religious organization—

“(A) to alter its form of internal governance; or

“(B) to remove religious art, icons, scripture, or other symbols;

in order to be eligible to provide assistance under a program described in subsection (c).

“(f) EMPLOYMENT PRACTICES.—

“(1) TENETS AND TEACHINGS.—A religious organization that provides assistance under a program described in subsection (c) may require that its employees providing assistance under such program adhere to the religious tenets and teachings of such organization, and such organization may require that those employees adhere to rules forbidding the use of drugs or alcohol.

“(2) TITLE VII EXEMPTION.—The exemption of a religious organization provided under section 702 or 703(e)(2) of the Civil Rights Act of 1964 (42 U.S.C. 2000e–1, 2000e–2(e)(2)) regarding employment practices shall not be affected by the religious organization’s provision of assistance under, or receipt of funds from, a program described in subsection (c).

“(g) RIGHTS OF BENEFICIARIES OF ASSISTANCE.—

“(1) IN GENERAL.—If an individual described in paragraph (3) has an objection to the religious character of the organization

from which the individual receives, or would receive, assistance funded under any program described in subsection (c), the appropriate Federal, State, or local governmental entity shall provide to such individual (if otherwise eligible for such assistance) within a reasonable period of time after the date of such objection, assistance that—

“(A) is from an alternative organization that is accessible to the individual; and

“(B) has a value that is not less than the value of the assistance that the individual would have received from such organization.

“(2) NOTICE.—The appropriate Federal, State, or local governmental entity shall ensure that notice is provided to individuals described in paragraph (3) of the rights of such individuals under this section.

“(3) INDIVIDUAL DESCRIBED.—An individual described in this paragraph is an individual who receives or applies for assistance under a program described in subsection (c).

“(h) NONDISCRIMINATION AGAINST BENEFICIARIES.—

“(1) GRANTS AND CONTRACTS.—A religious organization providing assistance through a grant or contract under a program described in subsection (c) shall not discriminate, in carrying out the program, against an individual described in subsection (g)(3) on the basis of religion, a religious belief, a refusal to hold a religious belief, or a refusal to actively participate in a religious practice.

“(2) INDIRECT FORMS OF DISBURSEMENT.—A religious organization providing assistance through a voucher, certificate, or other form of indirect disbursement under a program described in subsection (c) shall not deny an individual described in subsection (g)(3) admission into such program on the basis of religion, a religious belief, or a refusal to hold a religious belief.

“(i) FISCAL ACCOUNTABILITY.—

“(1) IN GENERAL.—Except as provided in paragraph (2), any religious organization providing assistance under any program described in subsection (c) shall be subject to the same regulations as other nongovernmental organizations to account in accord with generally accepted accounting principles for the use of such funds provided under such program.

“(2) LIMITED AUDIT.—Such organization shall segregate government funds provided under such program into a separate account. Only the government funds shall be subject to audit by the government.

“(j) COMPLIANCE.—A party alleging that the rights of the party under this section have been violated by a State or local government may bring a civil action pursuant to section 1979 against the official or government agency that has allegedly committed such violation. A party alleging that the rights of the party under this section have been violated by the Federal Government may bring a civil action for appropriate relief in an appropriate Federal district court against the official or government agency that has allegedly committed such violation.

“(k) LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.—No funds provided through a grant or contract to a religious organization to provide assistance under any program described in subsection (c) shall be expended for sectarian worship, instruction, or proselytization.

“(l) EFFECT ON STATE AND LOCAL FUNDS.—If a State or local government contributes State or local funds to carry out a program described in subsection (c), the State or local government may segregate the State or local funds from the Federal funds provided to carry out the program or may commingle the State or local funds with the Federal funds. If the State or local government commingles the State or local funds, the provisions of this section shall apply to the commingled funds in the same manner, and to

the same extent, as the provisions apply to the Federal funds.

“(m) TREATMENT OF INTERMEDIATE CONTRACTORS.—If a nongovernmental organization (referred to in this subsection as an ‘intermediate organization’), acting under a contract or other agreement with the Federal Government or a State or local government, is given the authority under the contract or agreement to select nongovernmental organizations to provide assistance under the programs described in subsection (c), the intermediate organization shall have the same duties under this section as the government but shall retain all other rights of a nongovernmental organization under this section.”

TITLE XII—ANTHRACITE REGION REDEVELOPMENT

SEC. 1201. CREDIT TO HOLDERS OF QUALIFIED ANTHRACITE REGION REDEVELOPMENT BONDS.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1, as amended by section 1021(a), is amended by adding at the end the following new section:

“SEC. 30C. CREDIT TO HOLDERS OF QUALIFIED ANTHRACITE REGION REDEVELOPMENT BONDS.

“(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified anthracite region redevelopment bond on a credit allowance date of such bond which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year an amount equal to the sum of the credits determined under subsection (b) with respect to credit allowance dates during such year on which the taxpayer holds such bond.

“(b) AMOUNT OF CREDIT.—

“(1) IN GENERAL.—The amount of the credit determined under this subsection with respect to any credit allowance date for a qualified anthracite region redevelopment bond is 25 percent of the annual credit determined with respect to such bond.

“(2) ANNUAL CREDIT.—The annual credit determined with respect to any qualified anthracite region redevelopment bond is the product of—

“(A) the applicable credit rate, multiplied by

“(B) the outstanding face amount of the bond.

“(3) APPLICABLE CREDIT RATE.—For purposes of paragraph (1), the applicable credit rate with respect to an issue is the rate equal to an average market yield (as of the day before the date of issuance of the issue) on outstanding long-term corporate debt obligations (determined under regulations prescribed by the Secretary).

“(4) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed.

“(c) QUALIFIED ANTHRACITE REGION REDEVELOPMENT BOND.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified anthracite region redevelopment bond’ means any bond issued as part of an issue if—

“(A) the issuer is an approved special purpose entity,

“(B) all of the net proceeds of the issue are deposited into either—

“(i) an approved segregated program fund, or

“(ii) a sinking fund for payment of principal on the bonds at maturity,

“(C) the issuer designates such bond for purposes of this section, and

“(D) the term of each bond which is part of such issue does not exceed 30 years.

Not more than $\frac{1}{2}$ of the net proceeds of an issue may be deposited into a sinking fund referred to in subparagraph (B)(ii).

“(2) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds which may be designated under paragraph (1) shall not exceed \$1,200,000,000.

“(3) APPROVED SPECIAL PURPOSE ENTITY.—The term ‘approved special purpose entity’ means a State or local governmental entity, or an entity described in section 501(c) and exempt from tax under section 501(a), if—

“(A) such entity is established and operated exclusively to carry out qualified purposes,

“(B) such entity has a comprehensive plan to restore and redevelop abandoned mine land in an anthracite region, and

“(C) such entity and plan are approved by the Administrator of the Environmental Protection Agency.

“(4) APPROVED SEGREGATED PROGRAM FUND.—The term ‘approved segregated program fund’ means any segregated fund the amounts in which may be used only for qualified purposes, but only if such fund has safeguards approved by such Administrator to assure that such amounts are only used for such purposes.

“(d) LIMITATION BASED ON AMOUNT OF TAX.—

“(1) IN GENERAL.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

“(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(B) the sum of the credits allowable under part IV of subchapter A (other than this section and subpart C thereof, relating to refundable credits).

“(2) CARRYOVER OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

“(e) OTHER DEFINITIONS.—For purposes of this section—

“(1) ANTHRACITE REGION.—The term ‘anthracite region’ means any area in the United States with anthracite deposits.

“(2) QUALIFIED PURPOSE.—The term ‘qualified purpose’ means, with respect to any qualified anthracite region redevelopment bond—

“(A) the purchase, restoration, and redevelopment of abandoned mine land and other real, personal, and mixed property in an anthracite region,

“(B) the cleanup of waterways and their tributaries, both surface and subsurface in such region from acid mine drainage and other pollution,

“(C) the provision of financial and technical assistance for infrastructure construction and upgrading water and sewer systems in such region,

“(D) research and development,

“(E) other environmental and economic development purposes in such region, and

“(F) such other purposes as are set forth in the comprehensive plan prepared by the issuer and approved by the Administrator of the Environmental Protection Agency.

“(3) CREDIT ALLOWANCE DATE.—The term ‘credit allowance date’ means—

“(A) March 15,

“(B) June 15,

“(C) September 15, and

“(D) December 15.

Such term includes the last day on which the bond is outstanding.

“(4) BOND.—The term ‘bond’ includes any obligation.

“(f) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section (determined without regard to subsection (d)) and the amount so included shall be treated as interest income.

“(g) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified anthracite region redevelopment bond is held by a regulated investment company, the credit determined under subsection (a) shall be allowed to shareholders of such company under procedures prescribed by the Secretary.

“(h) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

“(1) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a qualified anthracite region redevelopment bond and the entitlement to the credit under this section with respect to such bond. In case of any such separation, the credit under this section shall be allowed to the person who on the credit allowance date holds the instrument evidencing the entitlement to the credit and not to the holder of the bond.

“(2) CERTAIN RULES TO APPLY.—In the case of a separation described in paragraph (1), the rules of section 1286 shall apply to the qualified anthracite region redevelopment bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

“(i) TREATMENT FOR ESTIMATED TAX PURPOSES.—Solely for purposes of sections 6654 and 6655, the credit allowed by this section to a taxpayer by reason of holding a qualified anthracite region redevelopment bond on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.

“(j) CREDIT MAY BE TRANSFERRED.—Nothing in any law or rule of law shall be construed to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

“(k) REPORTING.—The issuer shall submit reports similar to the reports required under section 149(e).

“(l) TERMINATION.—This section shall not apply to any bond issued more than 10 years after the date that the first qualified anthracite region redevelopment bond is issued.”

(b) REPORTING.—Subsection (d) of section 6049 (relating to returns regarding payments of interest) is amended by adding at the end the following new paragraph:

“(8) REPORTING OF CREDIT ON QUALIFIED ANTHRACITE REGION REDEVELOPMENT BONDS.—

“(A) IN GENERAL.—For purposes of subsection (a), the term ‘interest’ includes amounts includible in gross income under section 30C(f) and such amounts shall be treated as paid on the credit allowance date (as defined in section 30C(e)(3)).

“(B) REPORTING TO CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in subparagraph (A) of this paragraph, subsection (b)(4) of this section shall be applied without regard to subparagraphs (A), (H), (I), (J), (K), and (L)(i).

“(C) REGULATORY AUTHORITY.—The Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which require more frequent or more detailed reporting.”

(c) CONFORMING AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1, as amended by section 1021(b), is amended by adding at the end the following new item:

"Sec. 30C. Credit to holders of qualified public anthracite region redevelopment bonds."

(d) **APPROVAL OF BONDS, ETC., BY ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION AGENCY.**—The Administrator of the Environmental Protection Agency shall act on any request for an approval required by section 30C of the Internal Revenue Code of 1986 (as added by this section) not later than 30 days after the date such request is submitted to such Administrator.

(e) **EFFECTIVE DATE.**—The amendments made by this section shall apply to obligations issued after December 31, 2000.

KERRY (AND OTHERS) AMENDMENT NO. 3839

Mr. KERRY (for himself, Mr. SARBANES, Mr. INOUE, Mr. DODD, Mr. WELLSTONE, and Mr. LEAHY) proposed an amendment to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) **SHORT TITLE.**—This Act may be cited as the "Estate Tax Relief Act of 2000".

(b) **AMENDMENT OF 1986 CODE.**—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) **IN GENERAL.**—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	\$1,000,000
2006 and 2007	\$1,125,000
2008	\$1,500,000
2009 or thereafter	\$2,000,000."

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) **IN GENERAL.**—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

"(2) **MAXIMUM DEDUCTION.**—

"(A) **IN GENERAL.**—The deduction allowed by this section shall not exceed the sum of—

"(i) the applicable deduction amount, plus

"(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

"(B) **APPLICABLE DEDUCTION AMOUNT.**—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	\$1,375,000
2006 and 2007	\$1,625,000
2008	\$2,375,000
2009 or thereafter	\$3,375,000.

"(C) **APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.**—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of

such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

"(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

"(ii) the sum of—

"(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

"(II) the amount of any increase in such estate's unified credit under paragraph (3)(B) which was allowed to such estate."

(b) **CONFORMING AMENDMENTS.**—Section 2057(a)(3)(B) is amended—

(1) by striking "\$675,000" both places it appears and inserting "the applicable deduction amount", and

(2) by striking "\$675,000" in the heading and inserting "APPLICABLE DEDUCTION AMOUNT".

(c) **EFFECTIVE DATE.**—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—NATIONAL AFFORDABLE HOUSING

SEC. 201. SHORT TITLE.

This title may be cited as the "National Affordable Housing Trust Fund Act of 2000".

SEC. 202. PURPOSES.

The purposes of this title are to—

(1) fill the growing gap in the national ability to build affordable housing by using amounts saved by slowing down the repeal of the Federal estate and gift taxes and profits generated by Federal housing programs to fund additional housing activities, and not supplant existing housing appropriations; and

(2) enable rental housing to be built for those families with the greatest need in areas with the greatest opportunities in mixed-income settings and to promote homeownership for low-income families.

SEC. 203. NATIONAL HOUSING TRUST FUND.

Subchapter A of chapter 98 of the Internal Revenue Code of 1986 (relating to trust funds) is amended by adding at the end the following:

"SEC. 9511. NATIONAL HOUSING TRUST FUND.

"(a) **ESTABLISHMENT OF TRUST FUND.**—There is established in the Treasury of the United States a trust fund to be known as the 'National Affordable Housing Trust Fund' (referred to in this section as the 'Trust Fund') for the purposes of promoting the development of affordable housing.

"(b) **TRANSFER TO THE TRUST FUND.**—The Secretary shall—

"(1) estimate the amount of the increase in funds in the general fund of the Treasury for each fiscal year resulting from the amendments made by the Estate Tax Relief Act of 2000 as compared to such increase resulting from the amendments made by H.R. 8 as received by the Senate from the House of Representatives on June 12, 2000; and

"(2) transfer, on October 1, 2001, and each October 1 thereafter (if necessary) from the general fund of the Treasury to the Trust Fund an amount equivalent to the difference determined in paragraph (1), to the extent the aggregate amount of such transfers does not exceed \$5,000,000,000.

"(c) **EXPENDITURES FROM THE TRUST FUND.**—Beginning in fiscal year 2002, amounts deposited in or transferred to the Trust Fund shall be available to the Secretary of Housing and Urban Development for use in accordance with section 204 of the National Affordable Housing Trust Fund Act of 2000."

SEC. 204. ADMINISTRATION OF NATIONAL AFFORDABLE HOUSING TRUST FUND.

(a) **DEFINITIONS.**—In this section:

(1) **AFFORDABLE HOUSING.**—The term "affordable housing" means housing for rental that bears rents not greater than the lesser of—

(A) the existing fair market rent for comparable units in the area, as established by the Secretary under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f); or

(B) a rent that does not exceed 30 percent of the adjusted income of a family whose income equals 65 percent of the median income for the area, as determined by the Secretary, with adjustment for number of bedrooms in the unit, except that the Secretary may establish income ceilings higher or lower than 65 percent of the median for the area on the basis of the findings of the Secretary that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.

(2) **CONTINUED ASSISTANCE RENTAL SUBSIDY PROGRAM.**—The term "continued assistance rental subsidy program" means a program under which—

(A) project-based assistance is provided for not more than 3 years to a family in an affordable housing unit developed with assistance made available under subsection (c) or (d) in a project that partners with a public housing agency, which agency agrees to provide the assisted family with a priority for the receipt of a voucher under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) if the family chooses to move after an initial year of occupancy and the public housing agency agrees to refer eligible voucher holders to the property when vacancies occur; and

(B) after 3 years, subject to appropriations, continued assistance is provided under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)), notwithstanding any provision to the contrary in that section, if administered to provide families with the option of continued assistance with tenant-based vouchers, if such a family chooses to move after an initial year of occupancy and the public housing agency agrees to refer eligible voucher holders to the property when vacancies occur.

(3) **ELIGIBLE ACTIVITIES.**—The term "eligible activities" means activities relating to the development of affordable housing, including—

(A) the construction of new housing;

(B) the acquisition of real property;

(C) site preparation and improvement, including demolition;

(D) substantial rehabilitation of existing housing; and

(E) rental subsidy for not more than 3 years under a continued assistance rental subsidy program.

(4) **ELIGIBLE ENTITY.**—The term "eligible entity" includes any public or private nonprofit or for-profit entity, unit of local government, regional planning entity, and any other entity engaged in the development of affordable housing, as determined by the Secretary.

(5) **ELIGIBLE INTERMEDIARY.**—The term "eligible intermediary" means—

(A) a nonprofit community development corporation;

(B) a community development financial institution (as defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702));

(C) a State or local trust fund;

(D) any entity eligible for assistance under section 4 of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note);

(E) a national, regional, or statewide nonprofit organization; and

(F) any other appropriate nonprofit entity, as determined by the Secretary.

(6) **EXTREMELY LOW-INCOME FAMILIES.**—The term “extremely low-income families” means very low-income families (as defined in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)) whose incomes do not exceed 30 percent of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 30 percent of the median for the area on the basis of the Secretary’s findings that such variations are necessary because of unusually high or low family incomes.

(7) **LOW-INCOME FAMILIES.**—The term “low-income families” has the meaning given the term in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)).

(8) **SECRETARY.**—The term “Secretary” means the Secretary of Housing and Urban Development.

(9) **STATE.**—The term “State” has the meaning given the term in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)).

(10) **TRUST FUND.**—The term “Trust Fund” means the National Housing Trust Fund established under section 9511 of the Internal Revenue Code of 1986, as added by section 203 of this title.

(b) **ALLOCATION TO STATES AND ELIGIBLE INTERMEDIARIES.**—The total amount made available for fiscal year 2002 and each fiscal year thereafter from the Trust Fund shall be allocated by the Secretary as follows:

(1) 75 percent shall be used to award grants to States in accordance with subsection (c).

(2) 25 percent shall be used to award grants to eligible intermediaries in accordance with subsection (d).

(c) **GRANTS TO STATES.**—

(1) **IN GENERAL.**—Subject to paragraph (2), from the amount made available for each fiscal year under subsection (b)(1), the Secretary shall award grants to States, in accordance with an allocation formula established by the Secretary, based on the pro rata share of each State of the total need among all States for an increased supply of affordable housing, as determined on the basis of—

(A) the number and percentage of families in the State that live in substandard housing;

(B) the number and percentage of families in the State that pay more than 50 percent of their annual income for housing costs;

(C) the number and percentage of persons living at or below the poverty level in the State;

(D) the cost of developing or carrying out substantial rehabilitation of housing in the State;

(E) the age of the multifamily housing stock in the State; and

(F) such other factors as the Secretary determines to be appropriate.

(2) **GRANT AMOUNT.**—

(A) **IN GENERAL.**—The amount of a grant award to a State under this subsection shall be equal to the lesser of—

(i) 4 times the amount of assistance provided by the State from non-Federal sources; and

(ii) the allocation determined in accordance with paragraph (1).

(B) **NON-FEDERAL SOURCES.**—Fifty percent of funds allocable to tax credits allocated under section 42 of the Internal Revenue Code of 1986, revenue from mortgage revenue bonds issued under section 143 of such Code, or proceeds from the sale of tax exempt bonds shall be considered non-Federal sources for purposes of this section.

(3) **AWARD OF STATE ALLOCATION TO CERTAIN ENTITIES.**—

(A) **IN GENERAL.**—If the amount provided by a State from non-Federal sources is less than 25 percent of the amount that would be awarded to the State under this subsection based on the allocation formula described in paragraph (1), not later than 60 days after the date on which the Secretary determines that the State is not eligible for the full allocation determined under paragraph (1), the Secretary shall issue a notice regarding the availability of the funds for which the State is ineligible.

(B) **APPLICATIONS.**—Not later than 9 months after publication of a notice of funding availability under subparagraph (A), a nonprofit or public entity (or a consortium thereof, which may include units of local government working together on a regional basis) may submit to the Secretary an application for the available assistance, which application shall include—

(i) a certification that the applicant will provide assistance from non-Federal sources in an amount equal to 25 percent of the amount of assistance made available to the applicant under this paragraph; and

(ii) an allocation plan that meets the requirements of paragraph (4)(B) for distribution in the State of any assistance made available to the applicant under this paragraph and the assistance provided by the applicant for purposes of clause (i).

(C) **AWARD OF ASSISTANCE.**—The Secretary shall award the amount that is not awarded to a State by operation of paragraph (2) to 1 or more applicants that meet the requirements of subparagraph (B) of this paragraph that are selected by the Secretary based on selection criteria, which shall be established by the Secretary by regulation.

(4) **DISTRIBUTION TO ELIGIBLE ENTITIES.**—

(A) **IN GENERAL.**—Each State that receives a grant award under this subsection shall distribute the amount made available under the grant and the assistance provided by the State from non-Federal sources for purposes of paragraph (2)(A) to eligible entities for the purpose of assisting those entities in carrying out eligible activities in the State as follows:

(i) 75 percent shall be distributed to eligible entities for eligible activities relating to the development of affordable housing for rental by extremely low-income families in the State.

(ii) 25 percent shall be distributed to eligible entities for eligible activities relating to the development of affordable housing for rental by low-income families in the State, or for homeownership assistance for low-income families in the State.

(B) **ALLOCATION PLAN.**—Each State shall, after notice to the public, an opportunity for public comment, and consideration of public comments received, establish an allocation plan for the distribution of assistance under this paragraph, which shall be submitted to the Secretary and shall be made available to the public by the State, and which shall include—

(i) application requirements for eligible entities seeking to receive such assistance, including a requirement that each application include—

(I) a certification by the applicant that any housing developed with assistance under this paragraph will remain affordable for extremely low-income families or low-income families, as applicable, for not less than 40 years;

(II) a certification by the applicant that the tenant contribution towards rent for a family residing in a unit developed with assistance under this paragraph will not exceed 30 percent of the adjusted income of that family; and

(III) a certification by the applicant that the owner of a project in which any housing

developed with assistance under this paragraph is located will make a percentage of units in the project available to families assisted under the voucher program under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) on the same basis as other families eligible for the housing (except that only the voucher holder’s expected share of rent shall be considered), which percentage shall not be less than the percentage of the total cost of developing or rehabilitating the project that is funded with assistance under this paragraph; and

(ii) factors for consideration in selecting among applicants that meet such application requirements, which shall give preference to applicants based on—

(I) the amount of assistance for the eligible activities leveraged by the applicant from private and other non-Federal sources;

(II) the extent of local assistance that will be provided in carrying out the eligible activities, including—

(aa) financial assistance; and

(bb) the extent to which the applicant has worked with the unit of local government in which the housing will be located to address issues of siting and exclusionary zoning or other policies that are barriers to affordable housing;

(III) the degree to which the development in which the housing will be located is mixed-income;

(IV) whether the housing will be located in a census tract in which the poverty rate is less than 20 percent or in a community undergoing revitalization;

(V) the extent of employment and other opportunities for low-income families in the area in which the housing will be located; and

(VI) the extent to which the applicant demonstrates the ability to maintain units as affordable for extremely low-income or low-income families, as applicable, through the use of assistance made available under this paragraph, assistance leveraged from non-Federal sources, assistance made available under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), State or local assistance, programs to increase tenant income, cross-subsidization, and any other resources.

(C) **FORMS OF ASSISTANCE.**—

(i) **IN GENERAL.**—Assistance distributed under this paragraph may be in the form of capital grants, non-interest bearing or low-interest loans or advances, deferred payment loans, guarantees, and any other forms of assistance approved by the Secretary.

(ii) **REPAYMENTS.**—If a State awards assistance under this paragraph in the form of a loan or other mechanism by which funds are later repaid to the State, any repayments received by the State shall be distributed by the State in accordance with the allocation plan described in subparagraph (B) the following fiscal year.

(D) **COORDINATION WITH OTHER ASSISTANCE.**—In distributing assistance under this paragraph, each State shall, to the maximum extent practicable, coordinate such distribution with the provision of other affordable housing assistance by the State, including—

(i) housing credit dollar amounts allocated by the State under section 42(h) of the Internal Revenue Code of 1986;

(ii) assistance made available under the HOME Investment Partnerships Act or the community development block grant program; and

(iii) private activity bonds.

(d) **NATIONAL COMPETITION.**—

(1) **IN GENERAL.**—From the amount made available for each fiscal year under subsection (b)(2), the Secretary shall award grants on a competitive basis to eligible

grants on a competitive basis to eligible intermediaries, which shall be used in accordance with paragraph (3) of this subsection.

(2) APPLICATION REQUIREMENTS AND SELECTION CRITERIA.—The Secretary by regulation shall establish application requirements and selection criteria for the award of competitive grants to eligible intermediaries under this subsection, which criteria shall include—

(A) the ability of the eligible intermediary to meet housing needs of low-income families on a national or regional scope;

(B) the capacity of the eligible intermediary to use the grant award in accordance with paragraph (3), based on the past performance and management of the applicant; and

(C) the extent to which the eligible intermediary has leveraged funding from private and other non-Federal sources for the eligible activities.

(3) USE OF GRANT AWARD.—

(A) IN GENERAL.—Each eligible intermediary that receives a grant award under this subsection shall ensure that the amount made available under the grant is used as follows:

(i) 75 percent shall be used for eligible activities relating to the development of affordable housing for rental by extremely low-income families.

(ii) 25 percent shall be used for eligible activities relating to the development of affordable housing for rental by low-income families, or for homeownership assistance for low-income families.

(B) PLAN OF USE.—Each eligible intermediary that receives a grant award under this subsection shall establish a plan for the use or distribution of the amount made available under the grant, which shall be submitted to the Secretary, and which shall include information relating to the manner in which the eligible intermediary will either use or distribute that amount, including—

(i) a certification that assistance made available under this subsection will be used to supplement assistance leveraged from private and other non-Federal sources;

(ii) a certification that local assistance will be provided in the carrying out the eligible activities, which may include—

(I) financial assistance; and

(II) a good faith effort to work with the unit of local government in which the housing will be located to address issues of siting and exclusionary zoning or other policies that are barriers to affordable housing;

(iii) a certification that any housing developed with assistance under this subsection will remain affordable for extremely low-income families or low-income families, as applicable, for not less than 40 years;

(iv) a certification that any housing developed by the applicant with assistance under this subsection will be located—

(I) in a mixed-income development;

(II) in a census tract having a poverty rate of not more than 20 percent or in a community undergoing revitalization; and

(III) near employment and other opportunities for low-income families;

(v) a certification that the tenant contribution towards rent for a family residing in a unit developed with assistance under this paragraph will not exceed 30 percent of the adjusted income of that family; and

(vi) a certification by the applicant that the owner of a project in which any housing developed with assistance under this subsection is located will make a percentage of units in the project available to families assisted under the voucher program under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) on the same basis as

other families eligible for the housing (except that only the voucher holder's expected share of rent shall be considered), which percentage shall not be less than the percentage of the total cost of developing or rehabilitating the project that is funded with assistance under this subsection.

(C) FORMS OF ASSISTANCE.—

(i) IN GENERAL.—An eligible intermediary may distribute the amount made available under a grant under this subsection in the form of capital grants, non-interest bearing or low-interest loans or advances, deferred payment loans, guarantees, and other forms of assistance.

(ii) REPAYMENTS.—If an eligible intermediary awards assistance under this subsection in the form of a loan or other mechanism by which funds are later repaid to the eligible intermediary, any repayments received by the eligible intermediary shall be distributed by the eligible intermediary in accordance with the plan of use described in subparagraph (B) the following fiscal year.

SEC. 205. REGULATIONS.

Not later than 6 months after the date of enactment of this Act, the Secretary of Housing and Urban Development shall promulgate regulations to carry out this title and the amendment made by this title.

HARKIN (AND OTHERS) AMENDMENT NO. 3840

Mr. HARKIN (for himself, Mr. FEINGOLD, Ms. MIKULSKI, Mr. LEAHY, and Mrs. MURRAY) proposed an amendment to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

TITLE —SOCIAL SECURITY SOLVENCY AND FAIRNESS

SEC. . ADDITIONAL APPROPRIATIONS TO FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND.

(a) PURPOSE.—The purpose of this section is to assure that the interest savings on the debt held by the public achieved as a result of Social Security surpluses from 2001 to 2016 are dedicated to Social Security solvency.

(b) ADDITIONAL APPROPRIATIONS TO TRUST FUNDS.—Section 201 of the Social Security Act is amended by adding at the end the following new subsection:

“(n) ADDITIONAL APPROPRIATION TO TRUST FUNDS.—

“(1) In addition to the amounts appropriated to the Trust Funds under subsections (a) and (b), there is hereby appropriated to the Trust Funds, out of any moneys in the Treasury not otherwise appropriated—

“(A) for the fiscal year ending September 30, 2006, and for each fiscal year thereafter through the fiscal year ending September 30, 2016, an amount equal to the prescribed amount for the fiscal year; and

“(B) for the fiscal year ending September 30, 2017, and for each fiscal year thereafter through the fiscal year ending September 30, 2044, an amount equal to the prescribed amount for the fiscal year ending September 30, 2016.

“(2) The amount appropriated by paragraph (1) in each fiscal year shall be transferred in equal monthly installments.

“(3) The amount appropriated by paragraph (1) in each fiscal year shall be allocated between the Trust Funds in the same proportion as the taxes imposed by chapter 21 (other than sections 3101(b) and 3111(b)) of the Title 26 with respect to wages (as defined in section 3121 of Title 26) reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of Title 26, and the taxes imposed by chapter 2 (other than section 1401(b)) of Title 26 with respect to self-employment income (as defined in section 1402 of Title 26) reported to the Secretary of

the Treasury or his delegate pursuant to subtitle F of Title 26, are allocated between the Trust Funds in the calendar year that begins in the fiscal year.

“(4) For purposes of this subsection, the “prescribed amount” for any fiscal year shall be determined by multiplying—

“(A) the excess of—

“(i) the sum of—

“(I) the face amount of all obligations of the United States held by the Trust Funds on the last day of the fiscal year immediately preceding the fiscal year of determination purchased with amounts appropriated or credited to the Trust Funds other than any amount appropriated under paragraph (1); and

“(II) the sum of the amounts appropriated under paragraph (1) and transferred under paragraph (2) through the last day of the fiscal year immediately preceding the fiscal year of determination, and an amount equal to the interest that would have been earned thereon had those amounts been invested in obligations of the United States issued directly to the Trust Funds under subsections (d) and (f); over

“(ii) the face amount of all obligations of the United States held by the Trust Funds on September 30, 2000, times—

“(B) a rate of interest determined by the Secretary of the Treasury, at the beginning of the fiscal year of determination, as follows:

“(i) if there are any marketable interest-bearing obligations of the United States then forming a part of the public debt, a rate of interest determined by taking into consideration the average market yield (computed on the basis of daily closing market bid quotations or prices during the calendar month immediately preceding the determination of the rate of interest) on such obligations; and

“(ii) if there are no marketable interest-bearing obligations of the United States then forming a part of the public debt, a rate of interest determined to be the best approximation of the rate of interest described in clause (i), taking into consideration the average market yield (computed on the basis of daily closing market bid quotations or prices during the calendar month immediately preceding the determination of the rate of interest) on investment grade corporate obligations selected by the Secretary of the Treasury, less an adjustment made by the Secretary of the Treasury to take into account the difference between the yields on corporate obligations comparable to the obligations selected by the Secretary of the Treasury and yields on obligations of comparable maturities issued by risk-free government issuers selected by the Secretary of the Treasury.”.

SEC. 602. INCREASE IN NUMBER OF YEARS DISREGARDED.

(a) IN GENERAL.—Section 215(b)(2) of the Social Security Act (42 U.S.C. 415(b)(2)) is amended—

(1) by striking the period at the end of clause (ii) of subparagraph (A) and inserting a comma;

(2) by striking “Clause (ii), once” after and below clause (ii) of subparagraph (A) and inserting the following:

“and reduced further to the extent provided in subparagraph (B). Clause (ii), once”;

(3) by striking “If an individual” in the matter following clause (ii) of subparagraph (A) and all that follows through the end of subparagraph (A);

(4) by redesignating subparagraph (B) as subparagraph (F); and

(5) by inserting after subparagraph (A) the following new subparagraphs:

“(B) Subject to subparagraph (C), in any case in which—

“(i) in any calendar year which is included in an individual’s computation base years—

“(I) such individual is living with a child (of such individual or his or her spouse) under the age of 12; or

“(II) such individual is living with a child (of such individual or his or her spouse), a parent (of such individual or his or her spouse), or such individual’s spouse while such child, parent, or spouse is a chronically dependent individual;

“(ii) such calendar year is not disregarded pursuant to subparagraphs (A) and (E) (in determining such individual’s benefit computation years) by reason of the reduction in the number of such individual’s elapsed years under subparagraph (A); and

“(iii) such individual submits to the Secretary, in such form as the Secretary shall prescribe by regulations, a written statement that the requirements of clause (i) are met with respect to such calendar year,

then the number by which such elapsed years are reduced under this paragraph pursuant to subparagraph (A) shall be increased by one (up to a combined total not exceeding 5) for each such calendar year.

“(C)(i)(I) No calendar year shall be disregarded by reason of subparagraph (B) (in determining such individual’s benefit computation years) unless the individual had less than the applicable dollar amount (in effect for such calendar year under subclause (II)) of earnings as described in section 203(f)(5) for such year.

“(II) Except as otherwise provided in this subclause, the applicable dollar amount in effect under this subclause for any calendar year is \$3,000. In each calendar year after 2006, the Secretary shall determine and publish in the Federal Register, on or before November 1 of such calendar year, the applicable dollar amount which shall be effective under this subclause for the next calendar year. Such dollar amount shall be equal to the applicable dollar amount which is effective under this subclause for the calendar year in which such determination is made, increased by a percentage equal to the percentage (rounded to the nearest $\frac{1}{10}$ of 1 percent) by which the Consumer Price Index (prepared by the Department of Labor and used in determining increases in benefits pursuant to section 215(i)) for the calendar quarter ending on September 30 of such calendar year exceeds such index for the calendar quarter ending on September 30 of the last preceding calendar year in which a cost-of-living increase in benefits became effective under section 215(i).

“(ii) No calendar year shall be disregarded by reason of subparagraph (B) (in determining such individual’s benefit computation years) in connection with a child referred to in subparagraph (B)(i)(I) (and not referred to in subparagraph (B)(i)(II)) unless the individual was living with the child substantially throughout the period in such year in which the child was alive and under the age of 12 in such year.

“(iii) No calendar year shall be disregarded by reason of subparagraph (B) (in determining such individual’s benefit computation years) in connection with a child, parent, or spouse referred to in subparagraph (B)(i)(II) unless the individual was living with such child, parent, or spouse substantially throughout a period of 180 consecutive days in such year throughout which such child, parent, or spouse was a chronically dependent individual.

“(iv) The particular calendar years to be disregarded under this subparagraph (in determining such benefit computation years) shall be those years (not otherwise dis-

regarded under subparagraph (A)) which, before the application of subsection (f), meet the conditions of the preceding provisions of this clause.

“(v) This subparagraph shall apply only to the extent that—

“(I) its application would not result in a lower primary insurance amount; and

“(II) it does not raise the primary insurance amount to a level greater than the average old-age insurance benefit paid under this title.

“(D)(i) For purposes of this paragraph, the term ‘chronically dependent individual’ means an individual who—

“(I) is dependent on a daily basis on another person who is living with the individual and is assisting the individual without monetary compensation in the performance of at least 2 of the activities of daily living (described in clause (ii)), and

“(II) without such assistance could not perform such activities of daily living.

“(ii) The ‘activities of daily living’, referred to in clause (i), are the following:

“(I) Eating.

“(II) Bathing.

“(III) Dressing.

“(IV) Toileting.

“(V) Transferring in and out of a bed or in and out of a chair.

“(E) The number of an individual’s benefit computation years as determined under this paragraph shall in no case be less than 2.”.

(b) EFFECTIVE DATE AND RELATED PROVISIONS.—

(1) IN GENERAL.—The amendments made by this Act shall apply with respect to computation base years ending before, on, or after the date of enactment of this Act, but only with respect to benefits payable for months after December 2001.

(2) NOTICE AND PROCEDURES.—

(A) 60-DAY FILING PERIOD AFTER ISSUANCE OF REGULATIONS FOR CALENDAR YEARS BEFORE 2001.—The requirements of clause (iii) of section 215(b)(2)(B) of the Social Security Act (as amended by this section) shall be treated as satisfied, in the case of a statement with respect to any calendar year before 2001, only if such statement is submitted to the Secretary of Health and Human Services not later than 60 days after the date of the first issuance in final form of the regulations required under such clause.

(B) NOTICE REQUIREMENTS.—The Secretary of Health and Human Services shall issue, not later than the date of the first issuance in final form of the regulations described in paragraph (1), regulations establishing procedures to ensure that—

(i) persons who are, as of such date, recipients of monthly benefits under section 202(a) or 223 of the Social Security Act, or applicants for such benefits, are fully informed of the amendments made by this section; and

(ii) such persons are invited to comply, and given a reasonable opportunity to comply, with the requirements of section 215(b)(2)(B)(iii) of the Social Security Act (as amended by this section), as provided in subparagraph (A).

Upon receiving from a recipient described in clauses (i) and (ii) a written statement referred to in clause (iii) of section 215(b)(2)(B) of the Social Security Act (as amended by this section) with respect to which the requirements of such clause are satisfied, the Secretary shall redetermine the amount of such benefits to the extent necessary to take into account the amendments made by this section (and if such redetermination results in an increase in such amount the increase shall be effective as provided in paragraph (1)). Such regulations described in subparagraph (A) shall also provide procedures to ensure that applicants for benefits under section 202(a) or 223 of the Social Security Act

are given the opportunity, at the time of their application, to indicate and verify any additional years which may be disregarded under section 215(b)(2)(B) of the Social Security Act (as amended by this section).

SEC. . INCREASE IN WIDOWS’ AND WIDOWERS’ INSURANCE BENEFITS.

(a) WIDOW’S BENEFIT.—Section 202(e)(2)(A) of the Social Security Act (42 U.S.C. 402(e)(2)(A)) is amended by striking “equal to” and all that follows and inserting “equal to the greater of—

“(i) the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C)) of such deceased individual, or

“(ii) the lesser of—

“(I) 75 percent of the joint benefit which would have been received by the widow or surviving divorced wife and the deceased individual for such month if such individual had not died, or

“(II) the average old-age insurance benefit paid under this title.”.

(b) WIDOWER’S BENEFIT.—Section 202(f)(3)(A) of the Social Security Act (42 U.S.C. 402(b)(3)(A)) is amended by striking “equal to” and all that follows and inserting “equal to the greater of—

“(i) the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C)) of such deceased individual, or

“(ii) the lesser of—

(I) 75 percent of the joint benefit which would have been received by the widow or surviving divorced wife and the deceased individual for such month if such individual had not died, or

“(II) the average old-age insurance benefit paid under this title.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits payable for months after December 2000.

SEC. . SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the “Estate Tax Relief Act of 2000”.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. . INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

“In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	\$1,000,000
2006 and 2007	\$1,125,000
2008	\$1,500,000
2009 or thereafter	\$2,000,000.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. . INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

“(2) MAXIMUM DEDUCTION.—

“(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

“(i) the applicable deduction amount, plus

“(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

“(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	\$1,375,000
2006 and 2007	\$1,625,000
2008	\$2,375,000
2009 or thereafter	\$3,375,000.

“(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

“(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

“(ii) the sum of—

“(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

“(II) the amount of any increase in such estate's unified credit under paragraph (3)(B) which was allowed to such estate.”

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking “\$675,000” both places it appears and inserting “the applicable deduction amount”, and

(2) by striking “\$675,000” in the heading and inserting “APPLICABLE DEDUCTION AMOUNT”.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. . SENSE OF SENATE REGARDING SAVINGS.

It is the sense of the Senate that the reduced cost to the Federal Treasury resulting from the amendments made by this Act as compared to the cost to the Federal Treasury of H.R. 8 as received by the Senate from the House of Representatives on June 12, 2000, should be used exclusively to reduce the Federal debt held by the public.

ROTH AMENDMENT NO. 3841

Mr. ROTH proposed an amendment to the bill, H.R. 8, *supra*; as follows:

At the end of the bill, add the following:

TITLE VI—MISCELLANEOUS PROVISIONS

SEC. 601. TABLE OF CONTENTS; ETC.

(a) SECTION 15 NOT TO APPLY.—No amendment made by this title shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

(b) TABLE OF CONTENTS.—The table of contents for this title is as follows:

TITLE VI—MISCELLANEOUS PROVISIONS

Sec. 601. Table of contents; etc.

Subtitle A—Individual Retirement Arrangements

Sec. 611. Modification of deduction limits for IRA contributions.

Sec. 612. Modification of income limits on contributions and rollovers to Roth IRAs.

Sec. 613. Deemed IRAs under employer plans.

Subtitle B—Expanding Coverage

Sec. 621. Option to treat elective deferrals as after-tax contributions.

Sec. 622. Increase in benefit and contribution limits.

Sec. 623. Plan loans for subchapter S owners, partners, and sole proprietors.

Sec. 624. Elective deferrals not taken into account for purposes of deduction limits.

Sec. 625. Reduced PBGC premium for new plans of small employers.

Sec. 626. Reduction of additional PBGC premium for new plans.

Sec. 627. Elimination of user fee for requests to IRS regarding new pension plans.

Sec. 628. Modification of top-heavy rules.

Sec. 629. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.

Subtitle C—Enhancing Fairness for Women

Sec. 631. Catchup contributions for individuals age 50 or over.

Sec. 632. Equitable treatment for contributions of employees to defined contribution plans.

Sec. 633. Clarification of tax treatment of division of section 457 plan benefits upon divorce.

Sec. 634. Modification of safe harbor relief for hardship withdrawals from cash or deferred arrangements.

Sec. 635. Faster vesting of certain employer matching contributions.

Subtitle D—Increasing Portability for Participants

Sec. 641. Rollovers allowed among various types of plans.

Sec. 642. Rollovers of IRAs into workplace retirement plans.

Sec. 643. Rollovers of after-tax contributions.

Sec. 644. Hardship exception to 60-day rule.

Sec. 645. Treatment of forms of distribution.

Sec. 646. Rationalization of restrictions on distributions.

Sec. 647. Purchase of service credit in governmental defined benefit plans.

Sec. 648. Employers may disregard rollovers for purposes of cash-out amounts.

Sec. 649. Inclusion requirements for section 457 plans.

Subtitle E—Strengthening Pension Security and Enforcement

Sec. 651. Repeal of 150 percent of current liability funding limit.

Sec. 652. Extension of missing participants program to multiemployer plans.

Sec. 653. Excise tax relief for sound pension funding.

Sec. 654. Excise tax on failure to provide notice by defined benefit plans significantly reducing future benefit accruals.

Sec. 655. Protection of investment of employee contributions to 401(k) plans.

Sec. 656. Treatment of multiemployer plans under section 415.

Sec. 657. Maximum contribution deduction rules modified and applied to all defined benefit plans.

Sec. 658. Increase in section 415 early retirement limit for governmental and other plans.

Subtitle F—Encouraging Retirement Education

Sec. 661. Periodic pension benefits State-ments.

Sec. 662. Clarification of treatment of employer-provided retirement advice.

Subtitle G—Reducing Regulatory Burdens

Sec. 671. Flexibility in nondiscrimination and coverage rules.

Sec. 672. Modification of timing of plan valuations.

Sec. 673. Substantial owner benefits in terminated plans.

Sec. 674. ESOP dividends may be reinvested without loss of dividend deduction.

Sec. 675. Notice and consent period regarding distributions.

Sec. 676. Repeal of transition rule relating to certain highly compensated employees.

Sec. 677. Employees of tax-exempt entities.

Sec. 678. Extension to international organizations of moratorium on application of certain non-discrimination rules applicable to State and local plans.

Sec. 679. Annual report dissemination.

Sec. 680. Modification of exclusion for employer provided transit passes.

Sec. 681. Reporting simplification.

Sec. 682. Repeal of the multiple use test.

Subtitle H—Plan Amendments

Sec. 691. Provisions relating to plan amendments.

Subtitle A—Individual Retirement Arrangements

SEC. 611. MODIFICATION OF DEDUCTION LIMITS FOR IRA CONTRIBUTIONS.

(a) INCREASE IN CONTRIBUTION LIMIT.—

(1) IN GENERAL.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking “\$2,000” and inserting “the deductible amount”.

(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

“(5) DEDUCTIBLE AMOUNT.—For purposes of paragraph (1)(A)—

“(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

For taxable years beginning in:	The deductible amount is:
2001	\$3,000
2002	\$4,000
2003 and thereafter	\$5,000.

“(B) COST-OF-LIVING ADJUSTMENT.—

“(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2003, the \$5,000 amount under subparagraph (A) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2002’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of \$100, such amount shall be rounded to the next lower multiple of \$100.”

(b) INCREASE IN ADJUSTED GROSS INCOME LIMITS FOR ACTIVE PARTICIPANTS.—

(1) IN GENERAL.—Subparagraph (B) of section 219(g)(3) (relating to applicable dollar amount) is amended to read as follows:

“(B) APPLICABLE DOLLAR AMOUNT.—The term ‘applicable dollar amount’ means the following:

“(i) In the case of a taxpayer filing a joint return:

For taxable years beginning in:	The applicable dollar amount is:
2001	\$53,000
2002	\$54,000
2003	\$60,000
2004	\$65,000
2005	\$70,000
2006	\$75,000
2007	\$80,000
2008	\$84,000
2009	\$89,000
2010 and thereafter	\$94,000.

“(ii) In the case of any other taxpayer (other than a married individual filing a separate return):

**“For taxable years be- The applicable dollar
ginning in: amount is:**

2001	\$33,000
2002	\$34,000
2003	\$40,000
2004	\$45,000
2005, 2006, and 2007	\$50,000
2008	\$52,000
2009	\$54,500
2010 and thereafter	\$57,000.”

(2) COST-OF-LIVING ADJUSTMENT.—Section 219(g)(3) is amended by adding at the end the following new subparagraph:

“(C) COST-OF-LIVING ADJUSTMENT.—

“(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2010, the \$94,000 amount in subparagraph (B)(i) and the \$57,000 amount in subparagraph (B)(ii) shall each be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2009’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of \$1,000, such amount shall be reduced to the next lowest multiple of \$1,000.”

(c) CONFORMING AMENDMENTS.—

(1) Section 408(a)(1) is amended by striking “in excess of \$2,000 on behalf of any individual” and inserting “on behalf of any individual in excess of the amount in effect for such taxable year under section 219(b)(1)(A)”.

(2) Section 408(b)(2)(B) is amended by striking “\$2,000” and inserting “the dollar amount in effect under section 219(b)(1)(A)”.

(3) Section 408(b) is amended by striking “\$2,000” in the matter following paragraph (4) and inserting “the dollar amount in effect under section 219(b)(1)(A)”.

(4) Section 408(j) is amended by striking “\$2,000”.

(5) Section 408(p)(8) is amended by striking “\$2,000” and inserting “the dollar amount in effect under section 219(b)(1)(A)”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 612. MODIFICATION OF INCOME LIMITS ON CONTRIBUTIONS AND ROLLOVERS TO ROTH IRAS.

(a) REPEAL OF AGI LIMIT ON CONTRIBUTIONS.—Section 408A(c)(3) (relating to limits based on modified adjusted gross income) is amended by striking subparagraph (A) and by redesignating subparagraphs (B), (C), and (D) as subparagraphs (A), (B), and (C), respectively.

(b) INCREASE IN AGI LIMIT FOR ROLLOVER CONTRIBUTIONS.—Section 408A(c)(3)(A) (relating to rollover from IRA), as redesignated by subsection (a), is amended to read as follows:

“(A) ROLLOVER FROM IRA.—A taxpayer shall not be allowed to make a qualified rollover contribution from an individual retirement plan other than a Roth IRA during any taxable year if, for the taxable year of the distribution to which the contribution relates, the taxpayer’s adjusted gross income exceeds \$1,000,000.”.

(c) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 408A(c)(3), as redesignated by subsection (a) and as in effect before and after the amendments made by the Internal Revenue Service Restructuring and Reform Act of 1998, is amended to read as follows:

“(B) DEFINITION OF ADJUSTED GROSS INCOME.—For purposes of subparagraph (A), adjusted gross income shall be determined—

“(i) after application of sections 86 and 469, and

“(ii) without regard to sections 135, 137, 221, and 911, the deduction allowable under section 219, or any amount included in gross income under subsection (d)(3).”.

(2) Subparagraph (B) of section 408A(c)(3), as amended by paragraph (1), is amended by inserting “or by reason of a required distribution under a provision described in paragraph (5)” before the period at the end.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

(2) ROLLOVERS.—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 2001.

(3) ADJUSTED GROSS INCOME.—The amendment made by subsection (c)(2) shall apply to taxable years beginning after December 31, 2004.

SEC. 613. DEEMED IRAS UNDER EMPLOYER PLANS.

(a) IN GENERAL.—Section 408 (relating to individual retirement accounts) is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

“(q) DEEMED IRAS UNDER QUALIFIED EMPLOYER PLANS.—

“(1) GENERAL RULE.—If—

“(A) a qualified employer plan elects to allow employees to make voluntary employee contributions to a separate account or annuity established under the plan, and

“(B) under the terms of the qualified employer plan, such account or annuity meets the applicable requirements of this section or section 408A for an individual retirement account or annuity,

then such account or annuity shall be treated for purposes of this title in the same manner as an individual retirement plan (and contributions to such account or annuity as contributions to an individual retirement plan). For purposes of subparagraph (B), the requirements of subsection (a)(5) shall not apply.

“(2) SPECIAL RULES FOR QUALIFIED EMPLOYER PLANS.—For purposes of this title—

“(A) a qualified employer plan shall not fail to meet any requirement of this title solely by reason of establishing and maintaining a program described in paragraph (1), and

“(B) any account or annuity described in paragraph (1), and any contribution to the account or annuity, shall not be subject to any requirement of this title applicable to a qualified employer plan or taken into account in applying any such requirement to any other contributions under the plan.

“(3) DEFINITIONS.—For purposes of this subsection—

“(A) QUALIFIED EMPLOYER PLAN.—The term ‘qualified employer plan’ has the meaning given such term by section 72(p)(4).

“(B) VOLUNTARY EMPLOYEE CONTRIBUTION.—The term ‘voluntary employee contribution’ means any contribution (other than a mandatory contribution within the meaning of section 411(c)(2)(C))—

“(i) which is made by an individual as an employee under a qualified employer plan which allows employees to elect to make contributions described in paragraph (1), and

“(ii) with respect to which the individual has designated the contribution as a contribution to which this subsection applies.”.

(b) AMENDMENT OF ERISA.—

(1) IN GENERAL.—Section 4 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1003) is amended by adding at the end the following new subsection:

“(c) If a pension plan allows an employee to elect to make voluntary employee contributions to accounts and annuities as pro-

vided in section 408(q) of the Internal Revenue Code of 1986, such accounts and annuities (and contributions thereto) shall not be treated as part of such plan (or as a separate pension plan) for purposes of any provision of this title other than section 403(c), 404, or 405 (relating to exclusive benefit, and fiduciary and co-fiduciary responsibilities).”.

(2) CONFORMING AMENDMENT.—Section 4(a) of such Act (29 U.S.C. 1003(a)) is amended by inserting “or (c)” after “subsection (b)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

Subtitle B—Expanding Coverage

SEC. 621. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 (relating to deferred compensation, etc.) is amended by inserting after section 402 the following new section:

“SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

“(a) GENERAL RULE.—If an applicable retirement plan includes a qualified plus contribution program—

“(1) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

“(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

“(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified plus contribution program’ means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

“(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

“(A) establishes separate accounts (‘designated plus accounts’) for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

“(B) maintains separate recordkeeping with respect to each account.

“(c) DEFINITIONS AND RULES RELATING TO DESIGNATED PLUS CONTRIBUTIONS.—For purposes of this section—

“(1) DESIGNATED PLUS CONTRIBUTION.—The term ‘designated plus contribution’ means any elective deferral which—

“(A) is excludable from gross income of an employee without regard to this section, and

“(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

“(2) DESIGNATION LIMITS.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

“(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

“(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

“(3) ROLLOVER CONTRIBUTIONS.—

“(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

“(i) another designated plus account of the individual from whose account the payment or distribution was made, or

“(ii) a Roth IRA of such individual.

“(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

“(d) DISTRIBUTION RULES.—For purposes of this title—

“(1) EXCLUSION.—Any qualified distribution from a designated plus account shall not be includible in gross income.

“(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified distribution’ has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

“(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

“(i) the 1st taxable year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable retirement plan, or

“(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the 1st taxable year for which the individual made a designated plus contribution to such previously established account.

“(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND EARNINGS.—The term ‘qualified distribution’ shall not include any distribution of any excess deferral under section 402(g)(2) and any income on the excess deferral.

“(3) AGGREGATION RULES.—Section 72 shall be applied separately with respect to distributions and payments from a designated plus account and other distributions and payments from the plan.

“(e) OTHER DEFINITIONS.—For purposes of this section—

“(1) APPLICABLE RETIREMENT PLAN.—The term ‘applicable retirement plan’ means—

“(A) an employees’ trust described in section 401(a) which is exempt from tax under section 501(a), and

“(B) a plan under which amounts are contributed by an individual’s employer for an annuity contract described in section 403(b).

“(2) ELECTIVE DEFERRAL.—The term ‘elective deferral’ means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).”

(b) EXCESS DEFERRALS.—Section 402(g) (relating to limitation on exclusion for elective deferrals) is amended—

(1) by adding at the end of paragraph (1) the following new sentence: “The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year.”, and

(2) by inserting “(or would be included but for the last sentence thereof)” after “paragraph (1)” in paragraph (2)(A).

(c) ROLLOVERS.—Subparagraph (B) of section 402(c)(8) is amended by adding at the end the following:

“If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall

include only another designated plus account and a Roth IRA.”

(d) REPORTING REQUIREMENTS.—

(1) W-2 INFORMATION.—Section 6051(a)(8) is amended by inserting “, including the amount of designated plus contributions (as defined in section 402A)” before the comma at the end.

(2) INFORMATION.—Section 6047 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.”

(e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: “Such term includes a rollover contribution described in section 402A(c)(3)(A).”

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

“Sec. 402A. Optional treatment of elective deferrals as plus contributions.”

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 622. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking “\$90,000” and inserting “\$160,000”.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking “\$90,000” each place it appears in the headings and the text and inserting “\$160,000”.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking “the greater of \$68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for ‘\$90,000’” and inserting “one-half the amount otherwise applicable for such year under paragraph (1)(A) for ‘\$160,000’”.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking “the social security retirement age” each place it appears in the heading and text and inserting “age 62”.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking “the social security retirement age” each place it appears in the heading and text and inserting “age 65”.

(4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking “\$90,000” in paragraph (1)(A) and inserting “\$160,000”, and

(B) in paragraph (3)(A)—

(i) by striking “\$90,000” in the heading and inserting “\$160,000”, and

(ii) by striking “October 1, 1986” and inserting “July 1, 2000”.

(5) CONFORMING AMENDMENT.—Section 415(b)(2) is amended by striking subparagraph (F).

(b) DEFINED CONTRIBUTION PLANS.—

(1) DOLLAR LIMIT.—Subparagraph (A) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking “\$30,000” and inserting “\$40,000”.

(2) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking “\$30,000” in paragraph (1)(C) and inserting “\$40,000”, and

(B) in paragraph (3)(D)—

(i) by striking “\$30,000” in the heading and inserting “\$40,000”, and

(ii) by striking “October 1, 1993” and inserting “July 1, 2000”.

(c) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(l), 408(k), and 505(b)(7) are each amended by striking “\$150,000” each place it appears and inserting “\$200,000”.

(2) BASE PERIOD AND ROUNDING OF COST-OF-LIVING ADJUSTMENT.—Subparagraph (B) of section 401(a)(17) is amended—

(A) by striking “October 1, 1993” and inserting “July 1, 2000”, and

(B) by striking “\$10,000” both places it appears and inserting “\$5,000”.

(d) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

“(1) IN GENERAL.—

“(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual’s gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

“(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

“For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$11,000
2002	\$12,000
2003	\$13,000
2004	\$14,000
2005 or thereafter	\$15,000.”

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of section 402(g) is amended to read as follows:

“(5) COST-OF-LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2005, the Secretary shall adjust the \$15,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of \$500 shall be rounded to the next lowest multiple of \$500.”

(3) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking “402(g)(8)(A)(iii)” and inserting “402(g)(7)(A)(iii)”.

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking “(other than paragraph (4) thereof)”.

(e) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) in subsections (b)(2)(A) and (c)(1) by striking “\$7,500” each place it appears and inserting “the applicable dollar amount”, and

(B) in subsection (b)(3)(A) by striking "\$15,000" and inserting "twice the dollar amount in effect under subsection (b)(2)(A)".

(2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) is amended to read as follows:

"(15) APPLICABLE DOLLAR AMOUNT.—

"(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$11,000
2002	\$12,000
2003	\$13,000
2004	\$14,000
2005 or thereafter	\$15,000.

"(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2005, the Secretary shall adjust the \$15,000 amount specified in the table in subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of \$500 shall be rounded to the next lowest multiple of \$500."

(f) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking "\$6,000" and inserting "the applicable dollar amount".

(2) APPLICABLE DOLLAR AMOUNT.—Subparagraph (E) of 408(p)(2) is amended to read as follows:

"(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

"(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount:
2001	\$7,000
2002	\$8,000
2003	\$9,000
2004 or thereafter	\$10,000.

"(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2004, the Secretary shall adjust the \$10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2003, and any increase under this subparagraph which is not a multiple of \$500 shall be rounded to the next lower multiple of \$500."

(3) CONFORMING AMENDMENTS.—

(A) Clause (1) of section 401(k)(11)(B)(i) is amended by striking "\$6,000" and inserting "the amount in effect under section 408(p)(2)(A)(ii)".

(B) Section 401(k)(11) is amended by striking subparagraph (E).

(g) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

"(4) ROUNDING.—

"(A) \$160,000 AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of \$5,000 shall be rounded to the next lowest multiple of \$5,000.

"(B) \$40,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of \$1,000 shall be rounded to the next lowest multiple of \$1,000."

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 623. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) AMENDMENT TO 1986 CODE.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

"(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i)."

(b) AMENDMENT TO ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

"(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a person described in clause (ii) or (iii) of subparagraph (A)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to loans made after December 31, 2001.

SEC. 624. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404 (relating to deduction for contributions of an employer to an employees' trust or annuity plan and compensation under a deferred payment plan) is amended by adding at the end the following new subsection:

"(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 625. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) in clause (i), by inserting "other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined)," after "single-employer plan,"

(2) in clause (iii), by striking the period at the end and inserting ", and", and

(3) by adding at the end the following new clause:

"(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, \$5 for each individual who is a participant in such plan during the plan year."

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

"(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor of either) had not established or maintained a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

"(ii) (I) For purposes of this paragraph, the term 'small employer' means an employer which on the first day of any plan year has, in aggregation with all members of the con-

trolled group of such employer, 100 or fewer employees.

"(II) In the case of a plan maintained by 2 or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2001.

SEC. 626. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW PLANS.

(a) IN GENERAL.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

"(v) In the case of a new defined benefit plan, the amount determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term 'applicable percentage' means—

"(I) 0 percent, for the first plan year.

"(II) 20 percent, for the second plan year.

"(III) 40 percent, for the third plan year.

"(IV) 60 percent, for the fourth plan year.

"(V) 80 percent, for the fifth plan year.

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2001.

SEC. 627. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING NEW PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 7527 of the Internal Revenue Code of 1986 for requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters or similar requests with respect to the qualified status of a new pension benefit plan or any trust which is part of the plan.

(b) NEW PENSION BENEFIT PLAN.—For purposes of this section—

(1) IN GENERAL.—The term "new pension benefit plan" means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan which is maintained by one or more eligible employers if such employer (or any predecessor employer) has not made a prior request described in subsection (a) for such plan (or any predecessor plan).

(2) ELIGIBLE EMPLOYER.—The term "eligible employer" means an employer (or any predecessor employer) which has not established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued for service, in the 3 most recent taxable years ending prior to the first taxable year in which the request is made.

(c) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2001.

SEC. 628. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking “or any of the 4 preceding plan years” in the matter preceding clause (i),

(B) by striking clause (i) and inserting the following:

“(i) an officer of the employer having an annual compensation greater than \$150,000.”,

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively, and

(D) by striking the second sentence in the matter following clause (iii), as redesignated by subparagraph (C).

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking “and subparagraph (A)(ii)”.

(b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: “Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.”.

(c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (3) of section 416(g) is amended to read as follows:

“(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

“(A) IN GENERAL.—For purposes of determining—

“(i) the present value of the cumulative accrued benefit for any employee, or

“(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

“(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting ‘5-year period’ for ‘1-year period’.”.

(2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking “LAST 5 YEARS” in the heading and inserting “LAST YEAR BEFORE DETERMINATION DATE”, and

(B) by striking “5-year period” and inserting “1-year period”.

(d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph (4) of section 416(g) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraph:

“(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NON-DISCRIMINATION REQUIREMENTS.—The term ‘top-heavy plan’ shall not include a plan which consists solely of—

“(i) a cash or deferred arrangement which meets the requirements of section 401(k)(12), and

“(ii) matching contributions with respect to which the requirements of section 401(m)(11) are met.

If, but for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).”.

(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking “clause (ii)” in clause (i) and inserting “clause (ii) or (iii)”, and

(B) by adding at the end the following:

“(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee’s years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no employee or former employee.”.

(f) ELIMINATION OF FAMILY ATTRIBUTION.—Section 416(i)(1)(B) (defining 5-percent owner) is amended by adding at the end the following new clause:

“(iv) FAMILY ATTRIBUTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference the definition of a key employee or 5-percent owner under this paragraph), section 318 shall be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.”.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 629. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 622, is amended to read as follows:

“(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2001.

Subtitle C—Enhancing Fairness for Women SEC. 631. CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) ELECTIVE DEFERRALS.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

“(v) CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

“(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

“(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—

“(A) IN GENERAL.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

“(i) the applicable percentage of the applicable dollar amount for such elective deferrals for such year, or

“(ii) the excess (if any) of—

“(1) the participant’s compensation for the year, over

“(II) any other elective deferrals of the participant for such year which are made without regard to this subsection.

“(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

“For taxable years beginning in:	The applicable percentage is:
2001	10

“For taxable years beginning in:

“For taxable years beginning in:	The applicable percentage is:
2002	20
2003	30
2004	40
2005 and thereafter	50.

“(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1)—

“(A) such contribution shall not, with respect to the year in which the contribution is made—

“(i) be subject to any otherwise applicable limitation contained in section 402(g), 402(h), 403(b), 404(a), 404(h), 408, 415, or 457, or

“(ii) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan, and

“(B) such plan shall not be treated as failing to meet the requirements of section 401(a)(4), 401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12), 401(m), 403(b)(12), 408(k), 408(p), 408B, 410(b), or 416 by reason of the making of (or the right to make) such contribution.

“(4) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term ‘eligible participant’ means, with respect to any plan year, a participant in a plan—

“(A) who has attained the age of 50 before the close of the plan year, and

“(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or contained in the terms of the plan.

“(5) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

“(A) APPLICABLE DOLLAR AMOUNT.—The term ‘applicable dollar amount’ means, with respect to any year, the amount in effect under section 402(g)(1)(B), 408(p)(2)(E)(i), or 457(e)(15)(A), whichever is applicable to an applicable employer plan, for such year.

“(B) APPLICABLE EMPLOYER PLAN.—The term ‘applicable employer plan’ means—

“(i) an employees’ trust described in section 401(a) which is exempt from tax under section 501(a),

“(ii) a plan under which amounts are contributed by an individual’s employer for an annuity contract described in section 403(b),

“(iii) an eligible deferred compensation plan under section 457 of an eligible employer as defined in section 457(e)(1)(A), and

“(iv) an arrangement meeting the requirements of section 408 (k) or (p).

“(C) ELECTIVE DEFERRAL.—The term ‘elective deferral’ has the meaning given such term by subsection (u)(2)(C).

“(D) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in paragraph (5)(B)(iii) for any year to which section 457(b)(3) applies.”.

(b) INDIVIDUAL RETIREMENT PLANS.—Section 219(b), as amended by section 611, is amended by adding at the end the following new paragraph:

“(6) CATCHUP CONTRIBUTIONS.—

“(A) IN GENERAL.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the dollar amount in effect under paragraph (1)(A) for such taxable year shall be equal to the applicable percentage of such amount determined without regard to this paragraph.

“(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

“For taxable years beginning in:	The applicable percentage is:
2001	110
2002	120

"For taxable years beginning in:**The applicable percentage is:**

2003	130
2004	140
2005 and thereafter	150."

(c) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2001.

SEC. 632. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.**(a) EQUITABLE TREATMENT.**—

(1) **IN GENERAL.**—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking "25 percent" and inserting "100 percent".

(2) **APPLICATION TO SECTION 403(b).**—Section 403(b) is amended—

(A) by striking "the exclusion allowance for such taxable year" in paragraph (1) and inserting "the applicable limit under section 415";

(B) by striking paragraph (2), and

(C) by inserting "or any amount received by a former employee after the 5th taxable year following the taxable year in which such employee was terminated" before the period at the end of the second sentence of paragraph (3).

(3) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking "section 403(b)(2)(D)(iii)" and inserting "section 403(b)(2)(D)(iii), as in effect before the enactment of the Taxpayer Refund Act of 1999".

(B) Section 404(a)(10)(B) is amended by striking "the exclusion allowance under section 403(b)(2)".

(C) Section 415(a)(2) is amended by striking "and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)".

(D) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

"(E) **ANNUITY CONTRACTS.**—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3)."

(E) Section 415(c) is amended by striking paragraph (4).

(F) Section 415(c)(7) is amended to read as follows:

"(7) **CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.**—

"(A) **IN GENERAL.**—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of \$10,000.

"(B) **\$40,000 AGGREGATE LIMITATION.**—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed \$40,000.

"(C) **ANNUAL ADDITION.**—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2)."

(G) Subparagraph (B) of section 402(g)(7) (as redesignated by section 312(a)) is amended by inserting before the period at the end the following: "(as in effect before the enactment of the Taxpayer Refund Act of 1999)".

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

(1) **IN GENERAL.**—Subsection (k) of section 415 is amended by adding at the end the following new paragraph:

"(4) **SPECIAL RULES FOR SECTIONS 403(b) AND 408.**—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year."

(2) **EFFECTIVE DATE.**—The amendments made by paragraph (1) shall apply to limitation years beginning after December 31, 2000.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) **IN GENERAL.**—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking "33½ percent" and inserting "100 percent".

(2) **EFFECTIVE DATE.**—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 633. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

(a) **IN GENERAL.**—Section 414(p)(11) (relating to application of rules to governmental and church plans) is amended—

(1) by inserting "or an eligible deferred compensation plan (within the meaning of section 457(b))" after "subsection (e))", and

(2) in the heading, by striking "GOVERNMENTAL AND CHURCH PLANS" and inserting "CERTAIN OTHER PLANS".

(b) **WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.**—Paragraph (10) of section 414(p) is amended by striking "and section 409(d)" and inserting "section 409(d), and section 457(d)".

(c) **TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.**—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

"(12) **TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.**—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment."

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2001.

SEC. 634. MODIFICATION OF SAFE HARBOR RELIEF FOR HARDSHIP WITHDRAWALS FROM CASH OR DEFERRED ARRANGEMENTS.

(a) **IN GENERAL.**—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(b) **EFFECTIVE DATE.**—The revised regulations under subsection (a) shall apply to years beginning after December 31, 2001.

SEC. 635. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) **AMENDMENTS TO 1986 CODE.**—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking "A plan" and inserting "Except as provided in paragraph (12), a plan", and

(2) by adding at the end the following:

"(12) **FASTER VESTING FOR MATCHING CONTRIBUTIONS.**—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

"(A) by substituting '3 years' for '5 years' in subparagraph (A), and

"(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service: The nonforfeitable percentage is:

2	20
3	40
4	60
5	80
6	100."

(b) **AMENDMENTS TO ERISA.**—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking "A plan" and inserting "Except as provided in paragraph (4), a plan", and

(2) by adding at the end the following:

"(4) **FASTER VESTING FOR MATCHING CONTRIBUTIONS.**—In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

"(A) by substituting '3 years' for '5 years' in subparagraph (A), and

"(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service: The nonforfeitable percentage is:

2	20
3	40
4	60
5	80
6	100."

(c) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2001.

(2) **COLLECTIVE BARGAINING AGREEMENTS.**—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified by the date of enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of enactment), or

(ii) January 1, 2001, or

(B) January 1, 2005.

(3) **SERVICE REQUIRED.**—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

Subtitle D—Increasing Portability for Participants**SEC. 641. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.**

(a) **ROLLOVERS FROM AND TO SECTION 457 PLANS.**—

(1) **ROLLOVERS FROM SECTION 457 PLANS.**—

(A) **IN GENERAL.**—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

“(16) ROLLOVER AMOUNTS.—

“(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

“(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

“(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

“(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed, then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

“(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

“(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).”

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting “(other than rollover amounts)” after “taxable year”.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking “and” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, and”, and by inserting after subparagraph (B) the following:

“(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.”

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

“(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or”

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

“(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term ‘eligible rollover distribution’ has the meaning given such term by section 402(f)(2)(A).”

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking “or” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, or”, and by adding at the end the following:

“(iv) section 457(b).”

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking “and” at the end of clause (iii), by striking the period at the end of clause (iv) and inserting “, and”, and by inserting after clause (iv) the following new clause:

“(v) an eligible deferred compensation plan described in section 457(b) of an employer described in section 457(e)(1)(A).”

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

“(11) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retire-

ment plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.”

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

“(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).”

(b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b) PLANS.—

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking “such distribution” and all that follows and inserting “such distribution to an eligible retirement plan described in section 402(c)(8)(B), and”.

(2) ROLLOVERS TO SECTION 403(b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking “and” at the end of clause (iv), by striking the period at the end of clause (v) and inserting “, and”, and by inserting after clause (v) the following new clause:

“(vi) an annuity contract described in section 403(b).”

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking “and” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, and”, and by adding at the end the following new subparagraph:

“(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.”

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking “; except that” and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

(1) Section 72(o)(4) is amended by striking “and 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and 457(e)(16)”.

(2) Section 219(d)(2) is amended by striking “or 408(d)(3)” and inserting “408(d)(3), or 457(e)(16)”.

(3) Section 401(a)(31)(B) is amended by striking “and 403(a)(4)” and inserting “, 403(a)(4), 403(b)(8), and 457(e)(16)”.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking “or paragraph (4) of section 403(a)” and inserting “, paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)”.

(5) Paragraph (1) of section 402(f) is amended by striking “from an eligible retirement plan”.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking “another eligible retirement plan” and inserting “an eligible retirement plan”.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

“(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.”

(8) Section 408(a)(1) is amended by striking “or 403(b)(8)” and inserting “, 403(b)(8), or 457(e)(16)”.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking “and 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and 457(e)(16)”.

(10) Section 415(c)(2) is amended by striking “and 408(d)(3)” and inserting “408(d)(3), and 457(e)(16)”.

(11) Section 4973(b)(1)(A) is amended by striking “or 408(d)(3)” and inserting “408(d)(3), or 457(e)(16)”.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 642. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding “or” at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

“(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term ‘eligible retirement plan’ means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).”

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking “section 408(d)(3)(A)(iii)” and inserting “section 408(d)(3)(A)(ii)”.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking “(i), (ii), or (iii)” and inserting “(i) or (ii)”.

(3) Subparagraph (G) of section 408(d)(3) is amended to read as follows:

“(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.”

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.

SEC. 643. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) **ROLLOVERS FROM EXEMPT TRUSTS.**—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: "The preceding sentence shall not apply to such distribution to the extent—

"(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

"(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B)."

(b) **OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.**—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following: "The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

"(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

"(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B)."

(c) **RULES FOR APPLYING SECTION 72 TO IRAS.**—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

"(H) APPLICATION OF SECTION 72.—

"(i) IN GENERAL.—If—

"(I) a distribution is made from an individual retirement plan, and

"(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution, then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

"(ii) **APPLICABLE RULES.**—In the case of a distribution described in clause (i)—

"(I) section 72 shall be applied separately to such distribution,

"(II) notwithstanding the pro rata allocation of income on, and investment in the contract, to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

"(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years."

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to distributions made after December 31, 2001.

SEC. 644. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) **EXEMPT TRUSTS.**—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

"(3) **TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.**—

"(A) **IN GENERAL.**—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

"(B) **HARDSHIP EXCEPTION.**—The Secretary may waive the 60-day requirement under

subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement."

(b) **IRAS.**—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 333, is amended by adding after subparagraph (H) the following new subparagraph:

"(I) **WAIVER OF 60-DAY REQUIREMENT.**—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 645. TREATMENT OF FORMS OF DISTRIBUTION.

(a) **PLAN TRANSFERS.**—

(1) **AMENDMENT TO INTERNAL REVENUE CODE OF 1986.**—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

"(D) **PLAN TRANSFERS.**—

"(i) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

"(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

"(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

"(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

"(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election,

"(V) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2), and

"(VI) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

"(ii) Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

"(E) **ELIMINATION OF FORM OF DISTRIBUTION.**—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a

form of distribution with respect to any participant unless—

"(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

"(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated."

(2) **AMENDMENT TO ERISA.**—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

"(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this paragraph referred to as the 'transferor plan') to the extent that—

"(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

"(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

"(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

"(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election;

"(v) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant's spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2); and

"(vi) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

"(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

"(5) **ELIMINATION OF FORM OF DISTRIBUTION.**—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

"(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

"(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated."

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) **REGULATIONS.**—

(1) **AMENDMENT TO INTERNAL REVENUE CODE OF 1986.**—The last sentence of paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended to read as follows: "The Secretary

may by regulations provide that this subparagraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner."

(2) AMENDMENT TO ERISA.—The last sentence of section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended to read as follows: "The Secretary of the Treasury may by regulations provide that this paragraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner."

(3) SECRETARY DIRECTED.—Not later than December 31, 2001, the Secretary of the Treasury is directed to issue final regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g)(2) of the Employee Retirement Income Security Act of 1974. Such regulations shall apply to plan years beginning after December 31, 2001, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 646. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking "separation from service" and inserting "severance from employment".

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

"(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7))."

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking "An event" in clause (i) and inserting "A termination", and

(II) by striking "the event" in clause (i) and inserting "the termination",

(ii) by striking subparagraph (C), and

(iii) by striking "OR DISPOSITION OF ASSETS OR SUBSIDIARY" in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking "separates from service" and inserting "has a severance from employment".

(B) The heading for paragraph (11) of section 403(b) is amended by striking "SEPARATION FROM SERVICE" and inserting "SEVERANCE FROM EMPLOYMENT".

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking "is separated from service" and inserting "has a severance from employment".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 647. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the following new paragraph:

"(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

"(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

"(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof."

(b) 457 PLANS.—

(1) Subsection (e) of section 457 is amended by adding after paragraph (17) the following new paragraph:

"(18) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

"(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

"(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof."

(2) Section 457(b)(2) is amended by striking "(other than rollover amounts)" and inserting "(other than rollover amounts and amounts received in a transfer referred to in subsection (e)(16))".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2001.

SEC. 648. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

"(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16)."

(2) AMENDMENT TO ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

"(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986."

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking "such amount" and inserting "the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 649. INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

"(a) YEAR OF INCLUSION IN GROSS INCOME.—

"(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

"(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

"(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).

"(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection."

(b) CONFORMING AMENDMENT.—So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

"(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in paragraph (1)(B)—"

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

Subtitle E—Strengthening Pension Security and Enforcement

SEC. 651. REPEAL OF 150 PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking "the applicable percentage" in subparagraph (A)(i)(I) and inserting "in the case of plan years beginning before January 1, 2004, the applicable percentage", and

(2) by amending subparagraph (F) to read as follows:

"(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

"In the case of any plan year beginning in—"	The applicable percentage is—
2001	160
2002	165
2003	170."

(b) AMENDMENT TO ERISA.—Section 302(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1082(c)(7)) is amended—

(1) by striking "the applicable percentage" in subparagraph (A)(i)(I) and inserting "in the case of plan years beginning before January 1, 2004, the applicable percentage", and

(2) by amending subparagraph (F) to read as follows:

"(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

"In the case of any plan year beginning in—"	The applicable percentage is—
2001	160
2002	165
2003	170."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 652. EXTENSION OF MISSING PARTICIPANTS PROGRAM TO MULTIEMPLOYER PLANS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following:

"(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A."

(b) CONFORMING AMENDMENT.—Section 206(f) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1056(f)) is amended by striking "the plan shall provide that,".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to distributions made after final regulations implementing subsection (c) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)) are prescribed.

SEC. 653. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

(a) **IN GENERAL.**—Subsection (c) of section 4972 (relating to nondeductible contributions) is amended by adding at the end the following new paragraph:

“(7) **DEFINED BENEFIT PLAN EXCEPTION.**—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7)), determined without regard to subparagraph (A)(i)(I) thereof. For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 654. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) **AMENDMENT TO 1986 CODE.**—Chapter 43 of subtitle D (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

“SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

“(a) **IMPOSITION OF TAX.**—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

“(b) **AMOUNT OF TAX.**—

“(1) **IN GENERAL.**—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be \$100 for each day in the noncompliance period with respect to such failure.

“(2) **NONCOMPLIANCE PERIOD.**—For purposes of this section, the term ‘noncompliance period’ means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the failure is corrected.

“(c) **LIMITATIONS ON AMOUNT OF TAX.**—

“(1) **OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.**—In the case of failures that are due to reasonable cause and not to willful neglect, the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed \$500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as one plan. For purposes of this paragraph, if not all persons who are treated as a single employer for purposes of this section have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

“(2) **WAIVER BY SECRETARY.**—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive relative to the failure involved.

“(d) **LIABILITY FOR TAX.**—The following shall be liable for the tax imposed by subsection (a):

“(1) In the case of a plan other than a multiemployer plan, the employer.

“(2) In the case of a multiemployer plan, the plan.

“(e) **NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.**—

“(1) **IN GENERAL.**—If an applicable pension plan is amended to provide for a significant reduction in the rate of future benefit accrual, the plan administrator shall provide written notice to each applicable individual (and to each employee organization representing applicable individuals).

“(2) **NOTICE.**—The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to understand the effect of the plan amendment.

“(3) **TIMING OF NOTICE.**—Except as provided in regulations, the notice required by paragraph (1) shall be provided within a reasonable time before the effective date of the plan amendment.

“(4) **DESIGNEES.**—Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

“(5) **NOTICE BEFORE ADOPTION OF AMENDMENT.**—A plan shall not be treated as failing to meet the requirements of paragraph (1) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

“(f) **APPLICABLE INDIVIDUAL; APPLICABLE PENSION PLAN.**—For purposes of this section—

“(1) **APPLICABLE INDIVIDUAL.**—The term ‘applicable individual’ means, with respect to any plan amendment—

“(A) any participant in the plan, and

“(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)), who may reasonably be expected to be affected by such plan amendment.

“(2) **APPLICABLE PENSION PLAN.**—The term ‘applicable pension plan’ means—

“(A) any defined benefit plan, or

“(B) an individual account plan which is subject to the funding standards of section 412,

which had 100 or more participants who had accrued a benefit, or with respect to whom contributions were made, under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective. Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)) with respect to which the election provided by section 410(d) has not been made.”.

(b) **AMENDMENT TO ERISA.**—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraph:

“(3)(A) A plan to which paragraph (1) applies shall not be treated as meeting the requirements of such paragraph unless, in addition to any notice required to be provided to an individual or organization under such paragraph, the plan administrator provides the notice described in subparagraph (B).

“(B) The notice required by subparagraph (A) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information

(as determined in accordance with regulations prescribed by the Secretary of the Treasury) to allow individuals to understand the effect of the plan amendment.

“(C) Except as provided in regulations prescribed by the Secretary of the Treasury, the notice required by subparagraph (A) shall be provided within a reasonable time before the effective date of the plan amendment.

“(D) A plan shall not be treated as failing to meet the requirements of subparagraph (A) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.”.

(c) **CLERICAL AMENDMENT.**—The table of sections for chapter 43 of subtitle D is amended by adding at the end the following new item:

“Sec. 4980F. Failure of applicable plans reducing benefit accruals to satisfy notice requirements.”.

(d) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) **TRANSITION.**—Until such time as the Secretary of the Treasury issues regulations under sections 4980F(e)(2) and (3) of the Internal Revenue Code of 1986 and section 204(h)(3) of the Employee Retirement Income Security Act of 1974 (as added by the amendments made by this section), a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) **SPECIAL RULE.**—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

SEC. 655. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.

(a) **IN GENERAL.**—Section 1524(b) of the Taxpayer Relief Act of 1997 is amended to read as follows:

“(b) **EFFECTIVE DATE.**—

“(1) **IN GENERAL.**—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 2001.

“(2) **NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.**—The amendments made by this section shall not apply to any elective deferral used to acquire an interest in the income or gain from employer securities or employer real property acquired—

“(A) before January 1, 2002, or

“(B) after such date pursuant to a written contract which was binding on such date and at all times thereafter on such plan.”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply as if included in the provision of the Taxpayer Relief Act of 1997 to which it relates.

SEC. 656. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) **COMPENSATION LIMIT.**—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

“(11) **SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.**—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.”.

(b) **COMBINING AND AGGREGATION OF PLANS.**—

(1) **COMBINING OF PLANS.**—Subsection (f) of section 415 (relating to combining of plans) is amended by adding at the end the following:

“(3) **EXCEPTION FOR MULTIEMPLOYER PLANS.**—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined

or aggregated with any other plan maintained by an employer for purposes of applying the limitations established in this section. The preceding sentence shall not apply for purposes of applying subsection (b)(1)(A) to a plan which is not a multiemployer plan."

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking "The Secretary" and inserting "Except as provided in subsection (f)(3), the Secretary".

(c) APPLICATION OF SPECIAL EARLY RETIREMENT RULES.—Section 415(b)(2)(F) (relating to plans maintained by governments and tax-exempt organizations) is amended—

(1) by inserting "a multiemployer plan (within the meaning of section 414(f))," after "section 414(d))," and

(2) by striking the heading and inserting: "(F) SPECIAL EARLY RETIREMENT RULES FOR CERTAIN PLANS.—"

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 657. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

"(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

"(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

"(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

"(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as 1 plan, but only employees of such member or employer shall be taken into account.

"(iv) PLANS ESTABLISHED AND MAINTAIN BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974."

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c) is amended to read as follows:

"(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to 1 or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

"(A) the amount of contributions not in excess of 6 percent of compensation (within the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

"(B) the sum of—

"(i) the amount of contributions described in section 401(m)(4)(A), plus

"(ii) the amount of contributions described in section 402(g)(3)(A).

For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 658. INCREASE IN SECTION 415 EARLY RETIREMENT LIMIT FOR GOVERNMENTAL AND OTHER PLANS.

(a) IN GENERAL.—Subclause (II) of section 415(b)(2)(F)(i), as amended by section 346(c), is amended—

(1) by striking "\$75,000" and inserting "80 percent of the dollar amount in effect under paragraph (1)(A)", and

(2) by striking "the \$75,000 limitation" and inserting "80 percent of such dollar amount".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

Subtitle F—Encouraging Retirement Education

SEC. 661. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025 (a)) is amended to read as follows:

"(a)(1) Except as provided in paragraph (2)—

"(A) the administrator of an individual account plan shall furnish a pension benefit statement—

"(i) to a plan participant at least once annually, and

"(ii) to a plan beneficiary upon written request, and

"(B) the administrator of a defined benefit plan shall furnish a pension benefit statement—

"(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan at the time the statement is furnished to participants, and

"(ii) to a participant or beneficiary of the plan upon written request.

"(2) Notwithstanding paragraph (1), the administrator of a plan to which more than 1 unaffiliated employer is required to contribute shall only be required to furnish a pension benefit statement under paragraph (1) upon the written request of a participant or beneficiary of the plan.

"(3) A pension benefit statement under paragraph (1)—

"(A) shall indicate, on the basis of the latest available information—

"(i) the total benefits accrued, and

"(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable,

"(B) shall be written in a manner calculated to be understood by the average plan participant, and

"(C) may be provided in written, electronic, telephonic, or other appropriate form.

"(4) In the case of a defined benefit plan, the requirements of paragraph (1)(B)(i) shall be treated as met with respect to a participant if the administrator provides the participant at least once each year with notice of the availability of the pension benefit statement and the ways in which the participant may obtain such statement. Such notice shall be provided in written, electronic, telephonic, or other appropriate form, and

may be included with other communications to the participant if done in a manner reasonably designed to attract the attention of the participant."

(b) CONFORMING AMENDMENTS.—

(1) Section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d).

(2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is amended to read as follows:

"(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-month period."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 662. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking "or" at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting ", or", and by adding at the end the following new paragraph:

"(7) qualified retirement planning services."

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

"(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning services' means any retirement planning service provided to an employee and his spouse by an employer maintaining a qualified employer plan.

"(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

"(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

Subtitle G—Reducing Regulatory Burdens

SEC. 671. FLEXIBILITY IN NONDISCRIMINATION AND COVERAGE RULES.

(a) NONDISCRIMINATION.—

(1) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test, and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by subsection (a) shall apply to years beginning after December 31, 2001.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than

120 days after the date on which such condition is prescribed.

(b) COVERAGE TEST.—

(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following: “(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—

“(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

“(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and

“(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph. Clause (ii) shall apply only to the extent provided by the Secretary.”.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2001.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

SEC. 672. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) IN GENERAL.—Section 412(c)(9) (relating to annual valuation) is amended—

(1) by striking “For purposes” and inserting the following:

“(A) IN GENERAL.—For purposes”, and

(2) by adding at the end the following:

“(B) ELECTION TO USE PRIOR YEAR VALUATION.—

“(i) IN GENERAL.—Except as provided in clause (ii), if, for any plan year—

“(I) an election is in effect under this subparagraph with respect to a plan, and

“(II) the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)), determined as of the valuation date for the preceding plan year,

then this section shall be applied using the information available as of such valuation date.

“(ii) EXCEPTIONS.—

“(i) ACTUAL VALUATION EVERY 3 YEARS.—Clause (i) shall not apply for more than 2 consecutive plan years and valuation shall be under subparagraph (A) with respect to any plan year to which clause (i) does not apply by reason of this subclause.

“(II) REGULATIONS.—Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).

“(iii) ADJUSTMENTS.—Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

“(iv) ELECTION.—An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary.”.

(b) AMENDMENTS TO ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—

(1) by inserting “(A)” after “(9)”, and

(2) by adding at the end the following:

“(B)(i) Except as provided in clause (ii), if, for any plan year—

“(I) an election is in effect under this subparagraph with respect to a plan, and

“(II) the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)), determined as of the valuation date for the preceding plan year,

then this section shall be applied using the information available as of such valuation date.

“(ii)(I) Clause (i) shall not apply for more than 2 consecutive plan years and valuation shall be under subparagraph (A) with respect to any plan year to which clause (i) does not apply by reason of this subclause.

“(II) Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).

“(iii) Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

“(iv) An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary of the Treasury.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 673. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

“(5)(A) For purposes of this paragraph, the term ‘majority owner’ means an individual who, at any time during the 60-month period ending on the date the determination is being made—

“(i) owns the entire interest in an unincorporated trade or business,

“(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

“(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation. For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

“(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

“(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

“(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.”.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking “section 4022(b)(5)” and inserting “section 4022(b)(5)(B)”.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking “(5)” in paragraph (2) and inserting “(4), (5)”, and

(B) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following:

“(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets

shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.”.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking “as defined in section 4022(b)(6)”, and

(B) by adding at the end the following:

“(d) For purposes of subsection (b)(9), the term ‘substantial owner’ means an individual who, at any time during the 60-month period ending on the date the determination is being made—

“(1) owns the entire interest in an unincorporated trade or business,

“(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

“(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation. For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).”.

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking “section 4022(b)(6)” and inserting “section 4021(d)”.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2001, and

(B) under section 4042 of such Act (29 U.S.C. 1342) with respect to which proceedings are instituted by the corporation after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on the date of enactment of this Act.

SEC. 674. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking “or” at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

“(iii) is, at the election of such participants or their beneficiaries—

“(I) payable as provided in clause (i) or (ii), or

“(II) paid to the plan and reinvested in qualifying employer securities, or”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 675. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) IN GENERAL.—

(A) AMENDMENT OF INTERNAL REVENUE CODE OF 1986.—Subparagraph (A) of section 417(a)(6) is amended by striking “90-day” and inserting “1-year”.

(B) AMENDMENT TO ERISA.—Subparagraph (A) of section 205(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(7)) is amended by striking “90-day” and inserting “1-year”.

(2) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute “1-year” for “90 days” each

place it appears in Treasury Regulations sections 1.402(f)-1, 1.411(a)-11(c), and 1.417(e)-1(b).

(3) **EFFECTIVE DATE.**—The amendments made by paragraph (1) and the modifications required by paragraph (2) shall apply to years beginning after December 31, 2001.

(b) **CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.**—

(1) **IN GENERAL.**—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) **EFFECTIVE DATE.**—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2001.

SEC. 676. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) **IN GENERAL.**—Paragraph (4) of section 1114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) **EFFECTIVE DATE.**—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 1999.

SEC. 677. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) **IN GENERAL.**—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)-6(g) to provide that employees of an organization described in section 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401(k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan, and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401(k) or (m).

(b) **EFFECTIVE DATE.**—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

SEC. 678. EXTENSION TO INTERNATIONAL ORGANIZATIONS OF MORATORIUM ON APPLICATION OF CERTAIN NON-DISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) **IN GENERAL.**—Subparagraph (G) of section 401(a)(5), subparagraph (H) of section 401(a)(26), subparagraph (G) of section 401(k)(3), and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by inserting "or by an international organization which is described in section 414(d)" after "or instrumentality thereof".

(b) **CONFORMING AMENDMENTS.**—

(1) The headings for subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(a)(26) are each amended by inserting "AND INTERNATIONAL ORGANIZATION" after "GOVERNMENTAL".

(2) Subparagraph (G) of section 401(k)(3) is amended by inserting "STATE AND LOCAL GOVERNMENTAL AND INTERNATIONAL ORGANIZATION PLANS." after "(G)".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 679. ANNUAL REPORT DISSEMINATION.

(a) **IN GENERAL.**—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by striking "shall furnish" and inserting "shall make available for examination (and, upon request, shall furnish)".

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to reports for years beginning after December 31, 2001.

SEC. 681. REPORTING SIMPLIFICATION.

(a) **SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.**—

(1) **IN GENERAL.**—The Secretary of the Treasury shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of \$500,000 or less as of the close of the plan year need not file a return for that year.

(2) **ONE-PARTICIPANT RETIREMENT PLAN DEFINED.**—For purposes of this subsection, the term "one-participant retirement plan" means a retirement plan that—

(A) on the first day of the plan year—

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated), or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation),

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business,

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses),

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control, and

(E) does not cover a business that leases employees.

(3) **OTHER DEFINITIONS.**—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) **SIMPLIFIED ANNUAL FILING REQUIREMENT FOR PLANS WITH FEWER THAN 25 EMPLOYEES.**—In the case of a retirement plan which covers less than 25 employees on the 1st day of the plan year and meets the requirements described in subparagraphs (B), (D), and (E) of subsection (a)(2), the Secretary of the Treasury shall provide for the filing of a simplified annual return that is substantially similar to the annual return required to be filed by a one-participant retirement plan.

(c) **EFFECTIVE DATE.**—The provisions of this section shall take effect on January 1, 2001.

SEC. 682. REPEAL OF THE MULTIPLE USE TEST.

(a) **IN GENERAL.**—Paragraph (9) of section 401(m) is amended to read as follows:

"(9) **REGULATIONS.**—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions."

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to years beginning after December 31, 2001.

Subtitle H—Plan Amendments

SEC. 691. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) **IN GENERAL.**—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A), and

(2) such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 by reason of such amendment.

(b) **AMENDMENTS TO WHICH SECTION APPLIES.**—

(1) **IN GENERAL.**—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this title, or pursuant to any regulation issued under this title, and

(B) on or before the last day of the first plan year beginning on or after January 1, 2003.

In the case of a government plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting "2005" for "2003".

(2) **CONDITIONS.**—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan), and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted), the plan or contract is operated as if such plan or contract amendment were in effect, and

(B) such plan or contract amendment applies retroactively for such period.

LOTT AMENDMENT NO. 3842

Mr. GRAMM (for Mr. LOTT) proposed an amendment to the bill, H.R. 8, supra; as follows:

At the end of the bill, add the following:

TITLE VI—MISCELLANEOUS PROVISIONS
SEC. 601. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

(a) **MAXIMUM ANNUAL CONTRIBUTIONS.**—

(1) **IN GENERAL.**—Section 530(b)(1)(A)(iii) (defining education individual retirement account) is amended by striking "\$500" and inserting "the contribution limit for such taxable year".

(2) **CONTRIBUTION LIMIT.**—Section 530(b) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

"(4) **CONTRIBUTION LIMIT.**—The term 'contribution limit' means \$500 (\$2,000 in the case of any taxable year beginning after December 31, 1999, and ending before January 1, 2004)."

(3) **CONFORMING AMENDMENT.**—Section 4973(e)(1)(A) is amended by striking "\$500" and inserting "the contribution limit (as defined in section 530(b)(4)) for such taxable year".

(b) **TAX-FREE EXPENDITURES FOR ELEMENTARY AND SECONDARY SCHOOL EXPENSES.**—

(1) **IN GENERAL.**—Section 530(b)(2) (defining qualified higher education expenses) is amended to read as follows:

"(2) **QUALIFIED EDUCATION EXPENSES.**—

"(A) **IN GENERAL.**—The term 'qualified education expenses' means—

"(i) qualified higher education expenses (as defined in section 529(e)(3)), and

"(ii) qualified elementary and secondary education expenses (as defined in paragraph (5)).

Such expenses shall be reduced as provided in section 25A(g)(2).

"(B) **QUALIFIED STATE TUITION PROGRAMS.**—Such term shall include any contribution to a qualified State tuition program (as defined in section 529(b)) on behalf of the designated beneficiary (as defined in section 529(e)(1)); but there shall be no increase in the investment in the contract for purposes of applying section 72 by reason of any portion of such contribution which is not includible in gross income by reason of subsection (d)(2)."

(2) **QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.**—Section 530(b) (relating to definitions and special rules), as

amended by subsection (a)(2), is amended by adding at the end the following new paragraph:

“(5) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—

“(A) IN GENERAL.—The term ‘qualified elementary and secondary education expenses’ means—

“(i) expenses for tuition, fees, academic tutoring, special needs services, books, supplies, computer equipment (including related software and services), and other equipment which are incurred in connection with the enrollment or attendance of the designated beneficiary of the trust as an elementary or secondary school student at a public, private, or religious school, and

“(ii) expenses for room and board, uniforms, transportation, and supplementary items and services (including extended day programs) which are required or provided by a public, private, or religious school in connection with such enrollment or attendance.

“(B) SPECIAL RULE FOR HOMESCHOOLING.—Such term shall include expenses described in subparagraph (A)(i) in connection with education provided by homeschooling if the requirements of any applicable State or local law are met with respect to such education.

“(C) SCHOOL.—The term ‘school’ means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under State law.”

(3) SPECIAL RULES FOR APPLYING EXCLUSION TO ELEMENTARY AND SECONDARY EXPENSES.—Section 530(d)(2) (relating to distributions for qualified higher education expenses) is amended by adding at the end the following new subparagraph:

“(E) SPECIAL RULES FOR ELEMENTARY AND SECONDARY EXPENSES.—

“(i) IN GENERAL.—The aggregate amount of qualified elementary and secondary education expenses taken into account for purposes of this paragraph with respect to any education individual retirement account for all taxable years shall not exceed the sum of the aggregate contributions to such account for taxable years beginning after December 31, 1999, and before January 1, 2004, and earnings on such contributions.

“(ii) SPECIAL OPERATING RULES.—For purposes of clause (i)—

“(I) the trustee of an education individual retirement account shall keep separate accounts with respect to contributions and earnings described in clause (i), and

“(II) if there are distributions in excess of qualified elementary and secondary education expenses for any taxable year, such excess distributions shall be allocated first to contributions and earnings not described in clause (i).”

(4) CONFORMING AMENDMENTS.—Section 530 is amended—

(A) by striking “higher” each place it appears in subsections (b)(1) and (d)(2), and

(B) by striking “HIGHER” in the heading for subsection (d)(2).

(C) WAIVER OF AGE LIMITATIONS FOR CHILDREN WITH SPECIAL NEEDS.—Section 530(b)(1) (defining education individual retirement account) is amended by adding at the end the following flush sentence:

“The age limitations in the preceding sentence and paragraphs (5) and (6) of subsection (d) shall not apply to any designated beneficiary with special needs (as determined under regulations prescribed by the Secretary).”

(d) ENTITIES PERMITTED TO CONTRIBUTE TO ACCOUNTS.—Section 530(c)(1) (relating to reduction in permitted contributions based on adjusted gross income) is amended by striking “The maximum amount which a contributor” and inserting “In the case of a contributor who is an individual, the maximum amount the contributor”.

(e) TIME WHEN CONTRIBUTIONS DEEMED MADE.—

(1) IN GENERAL.—Section 530(b) (relating to definitions and special rules), as amended by subsection (b)(2), is amended by adding at the end the following new paragraph:

“(6) TIME WHEN CONTRIBUTIONS DEEMED MADE.—An individual shall be deemed to have made a contribution to an education individual retirement account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).”

(2) EXTENSION OF TIME TO RETURN EXCESS CONTRIBUTIONS.—Subparagraph (C) of section 530(d)(4) (relating to additional tax for distributions not used for educational expenses) is amended—

(A) by striking clause (i) and inserting the following new clause:

“(i) such distribution is made before the 1st day of the 6th month of the taxable year following the taxable year, and”, and

(B) by striking “DUE DATE OF RETURN” in the heading and inserting “JUNE”.

(f) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS AND QUALIFIED TUITION PROGRAMS.—

(1) IN GENERAL.—Section 530(d)(2)(C) is amended to read as follows:

“(C) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS AND QUALIFIED TUITION PROGRAMS.—

“(i) CREDIT COORDINATION.—

“(I) IN GENERAL.—Except as provided in subclause (II), subparagraph (A) shall not apply for any taxable year to any qualified higher education expenses with respect to any individual if a credit is allowed under section 25A with respect to such expenses for such taxable year.

“(II) SPECIAL COORDINATION RULE.—In the case of any taxable year beginning after December 31, 1999, and before January 1, 2004, subclause (I) shall not apply, but the total amount of qualified higher education expenses otherwise taken into account under subparagraph (A) with respect to an individual for such taxable year shall be reduced (after the application of the reduction provided in section 25A(g)(2)) by the amount of such expenses which were taken into account in determining the credit allowed to the taxpayer or any other person under section 25A with respect to such expenses.

“(ii) COORDINATION WITH QUALIFIED TUITION PROGRAMS.—If the aggregate distributions to which subparagraph (A) and section 529(c)(3)(B) apply exceed the total amount of qualified higher education expenses otherwise taken into account under subparagraph (A) (after the application of clause (i)) with respect to an individual for any taxable year, the taxpayer shall allocate such expenses among such distributions for purposes of determining the amount of the exclusion under subparagraph (A) and section 529(c)(3)(B).”

(2) CONFORMING AMENDMENTS.—

(A) Subsection (e) of section 25A is amended to read as follows:

“(e) ELECTION NOT TO HAVE SECTION APPLY.—A taxpayer may elect not to have this section apply with respect to the qualified tuition and related expenses of an individual for any taxable year.”

(B) Section 135(d)(2)(A) is amended by striking “allowable” and inserting “allowed”.

(C) Section 530(b)(2)(A) is amended by striking “, reduced as provided in section 25A(g)(2)”,

(D) Section 530(d)(2)(D) is amended—

(i) by striking “or credit”, and

(ii) by striking “CREDIT OR” in the heading.

(E) Section 4973(e)(1) is amended by adding “and” at the end of subparagraph (A), by

striking subparagraph (B), and by redesignating subparagraph (C) as subparagraph (B).

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 602. DEDUCTION FOR HIGHER EDUCATION EXPENSES.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 as section 223 and by inserting after section 221 the following:

“SEC. 222. HIGHER EDUCATION EXPENSES.

“(a) ALLOWANCE OF DEDUCTION.—

“(1) IN GENERAL.—In the case of an individual, there shall be allowed as a deduction an amount equal to the applicable dollar amount of the qualified higher education expenses paid by the taxpayer during the taxable year.

“(2) APPLICABLE DOLLAR AMOUNT.—The applicable dollar amount for any taxable year shall be determined as follows:

Applicable dollar amount:

“Taxable year:

2002	\$4,000
2003	\$8,000
2004 and thereafter	\$12,000.

“(b) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

“(1) IN GENERAL.—The amount which would (but for this subsection) be taken into account under subsection (a) shall be reduced (but not below zero) by the amount determined under paragraph (2).

“(2) AMOUNT OF REDUCTION.—The amount determined under this paragraph equals the amount which bears the same ratio to the amount which would be so taken into account as—

“(A) the excess of—

“(i) the taxpayer’s modified adjusted gross income for such taxable year, over

“(ii) \$62,450 (\$104,050 in the case of a joint return, \$89,150 in the case of a return filed by a head of household, and \$52,025 in the case of a return by a married individual filing separately), bears to

“(B) \$15,000.

“(3) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term ‘modified adjusted gross income’ means the adjusted gross income of the taxpayer for the taxable year determined—

“(A) without regard to this section and sections 911, 931, and 933, and

“(B) after the application of sections 86, 135, 219, 220, and 469.

For purposes of the sections referred to in subparagraph (B), adjusted gross income shall be determined without regard to the deduction allowed under this section.

“(c) QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this section—

“(1) QUALIFIED HIGHER EDUCATION EXPENSES.—

“(A) IN GENERAL.—The term ‘qualified higher education expenses’ means tuition and fees charged by an educational institution and required for the enrollment or attendance of—

“(i) the taxpayer,

“(ii) the taxpayer’s spouse,

“(iii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151, or

“(iv) any grandchild of the taxpayer, as an eligible student at an institution of higher education.

“(B) ELIGIBLE COURSES.—Amounts paid for qualified higher education expenses of any individual shall be taken into account under subsection (a) only to the extent such expenses—

"(i) are attributable to courses of instruction for which credit is allowed toward a baccalaureate degree by an institution of higher education or toward a certificate of required course work at a vocational school, and

"(ii) are not attributable to any graduate program of such individual.

"(C) EXCEPTION FOR NONACADEMIC FEES.—Such term does not include any student activity fees, athletic fees, insurance expenses, or other expenses unrelated to a student's academic course of instruction.

"(D) ELIGIBLE STUDENT.—For purposes of subparagraph (A), the term 'eligible student' means a student who—

"(i) meets the requirements of section 484(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1091(a)(1)), as in effect on the date of the enactment of this section, and

"(ii) is carrying at least one-half the normal full-time work load for the course of study the student is pursuing, as determined by the institution of higher education.

"(E) IDENTIFICATION REQUIREMENT.—No deduction shall be allowed under subsection (a) to a taxpayer with respect to an eligible student unless the taxpayer includes the name, age, and taxpayer identification number of such eligible student on the return of tax for the taxable year.

"(2) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' means an institution which—

"(A) is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this section, and

"(B) is eligible to participate in programs under title IV of such Act.

"(d) SPECIAL RULES.—

"(1) NO DOUBLE BENEFIT.—

"(A) IN GENERAL.—No deduction shall be allowed under subsection (a) for any expense for which a deduction is allowable to the taxpayer under any other provision of this chapter unless the taxpayer irrevocably waives his right to the deduction of such expense under such other provision.

"(B) DENIAL OF DEDUCTION IF CREDIT ELECTED.—No deduction shall be allowed under subsection (a) for a taxable year with respect to the qualified higher education expenses of an individual if the taxpayer elects to have section 25A apply with respect to such individual for such year.

"(C) DEPENDENTS.—No deduction shall be allowed under subsection (a) to any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins.

"(D) COORDINATION WITH EXCLUSIONS.—A deduction shall be allowed under subsection (a) for qualified higher education expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135 or 530(d)(2) for the taxable year.

"(2) LIMITATION ON TAXABLE YEAR OF DEDUCTION.—

"(A) IN GENERAL.—A deduction shall be allowed under subsection (a) for qualified higher education expenses for any taxable year only to the extent such expenses are in connection with enrollment at an institution of higher education during the taxable year.

"(B) CERTAIN PREPAYMENTS ALLOWED.—Subparagraph (A) shall not apply to qualified higher education expenses paid during a taxable year if such expenses are in connection with an academic term beginning during such taxable year or during the first 3 months of the next taxable year.

"(3) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS AND VETERANS BENEFITS.—The amount of qualified higher education expenses otherwise taken into account under subsection (a) with respect to the education of an indi-

vidual shall be reduced (before the application of subsection (b)) by the sum of the amounts received with respect to such individual for the taxable year as—

"(A) a qualified scholarship which under section 117 is not includable in gross income,

"(B) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code, or

"(C) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for educational expenses, or attributable to enrollment at an eligible educational institution, which is exempt from income taxation by any law of the United States.

"(4) NO DEDUCTION FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

"(5) NONRESIDENT ALIENS.—If the taxpayer is a nonresident alien individual for any portion of the taxable year, this section shall apply only if such individual is treated as a resident alien of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

"(6) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations requiring record-keeping and information reporting."

"(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) is amended by inserting after paragraph (17) the following:

"(18) HIGHER EDUCATION EXPENSES.—The deduction allowed by section 222."

"(c) CONFORMING AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 is amended by striking the item relating to section 222 and inserting the following:

"Sec. 222. Higher education expenses.

"Sec. 223. Cross reference."

"(d) EFFECTIVE DATE.—The amendments made by this section shall apply to payments made in taxable years beginning after December 31, 2001.

SEC. 603. CREDIT FOR INTEREST ON HIGHER EDUCATION LOANS.

"(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to non-refundable personal credits) is amended by inserting after section 25A the following new section:

"SEC. 25B. INTEREST ON HIGHER EDUCATION LOANS.

"(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the interest paid by the taxpayer during the taxable year on any qualified education loan.

"(b) MAXIMUM CREDIT.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the credit allowed by subsection (a) for the taxable year shall not exceed \$1,500.

"(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

"(A) IN GENERAL.—If the modified adjusted gross income of the taxpayer for the taxable year exceeds \$50,000 (\$80,000 in the case of a joint return), the amount which would (but for this paragraph) be allowable as a credit under this section shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which would be so allowable as such excess bears to \$20,000.

"(B) MODIFIED ADJUSTED GROSS INCOME.—The term 'modified adjusted gross income' means adjusted gross income determined without regard to sections 911, 931, and 933.

"(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2003, the \$50,000 and \$80,000 amounts referred to in subparagraph (A) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting '2002' for '1992'.

"(D) ROUNDING.—If any amount as adjusted under subparagraph (C) is not a multiple of \$50, such amount shall be rounded to the nearest multiple of \$50.

"(c) DEPENDENTS NOT ELIGIBLE FOR CREDIT.—No credit shall be allowed by this section to an individual for the taxable year if a deduction under section 151 with respect to such individual is allowed to another taxpayer for the taxable year beginning in the calendar year in which such individual's taxable year begins.

"(d) LIMIT ON PERIOD CREDIT ALLOWED.—A credit shall be allowed under this section only with respect to interest paid on any qualified education loan during the first 60 months (whether or not consecutive) in which interest payments are required. For purposes of this paragraph, any loan and all refinancings of such loan shall be treated as 1 loan.

"(e) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED EDUCATION LOAN.—The term 'qualified education loan' has the meaning given such term by section 221(e)(1).

"(2) DEPENDENT.—The term 'dependent' has the meaning given such term by section 152.

"(f) SPECIAL RULES.—

"(1) DENIAL OF DOUBLE BENEFIT.—No credit shall be allowed under this section for any amount taken into account for any deduction under any other provision of this chapter.

"(2) MARRIED COUPLES MUST FILE JOINT RETURN.—If the taxpayer is married at the close of the taxable year, the credit shall be allowed under subsection (a) only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

"(3) MARITAL STATUS.—Marital status shall be determined in accordance with section 7703."

"(b) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25A the following new item:

"Sec. 25B. Interest on higher education loans."

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any qualified education loan (as defined in section 25B(e)(1) of the Internal Revenue Code of 1986, as added by this section) incurred on, before, or after the date of the enactment of this Act, but only with respect to any loan interest payment due after December 31, 2001.

SEC. 604. CERTIFIED TEACHER CREDIT.

"(a) FINDINGS.—Congress makes the following findings:

(1) Studies have shown that the greatest single in-school factor affecting student achievement is teacher quality.

(2) Most accomplished teachers do not get the rewards they deserve.

(3) After adjusting amounts for inflation, the average teacher salary for 1997-1998 of \$39,347 is just \$2 above what it was in 1993. Such salary is also just \$1,924 more than the average salary recorded in 1972, a real increase of only \$75 per year.

(4) While K-12 enrollments are steadily increasing, the teacher population is aging. There is a need, now more than ever, to attract competent, capable, and bright college

graduates or mid-career professionals to the teaching profession.

(5) The Department of Education projects that 2,000,000 new teachers will have to be hired in the next decade. Shortages, if they occur, will most likely be felt in urban or rural regions of the country where working conditions may be difficult or compensation low.

(6) If students are to receive a high quality education and remain competitive in the global market the United States must attract talented and motivated people to the teaching profession in large numbers.

(b) ALLOWANCE OF CREDIT.—Subpart C of part IV of subchapter A of chapter 1 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

“SEC. 35. CERTIFIED TEACHER CREDIT.

“(a) ALLOWANCE OF CREDIT.—

“(1) IN GENERAL.—In the case of an eligible teacher, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year \$5,000.

“(2) YEAR CREDIT ALLOWED.—The credit under paragraph (1) shall be allowed in the taxable year in which the taxpayer becomes a certified individual.

“(b) DEFINITIONS.—For purposes of this section—

“(1) ELIGIBLE TEACHER.—

“(A) IN GENERAL.—The term ‘eligible teacher’ means a certified individual who is a pre-kindergarten or early childhood educator, or a kindergarten through grade 12 classroom teacher, instructor, counselor, aide, or principal in an elementary or secondary school on a full-time basis for an academic year ending during a taxable year.

“(B) CERTIFIED INDIVIDUAL.—The term ‘certified individual’ means an individual who has successfully completed the requirements for advanced certification provided by the National Board for Professional Teaching Standards.

“(2) ELEMENTARY OR SECONDARY SCHOOL.—The term ‘elementary or secondary school’ means a public elementary or secondary school which—

“(A) is located in a school district of a local educational agency which is eligible, during the taxable year, for assistance under part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.), and

“(B) during the taxable year, the Secretary of Education determines to have an enrollment of children counted under section 1124(c) of such Act (20 U.S.C. 6333(c)) in an amount in excess of an amount equal to 40 percent of the total enrollment of such school.

“(c) VERIFICATION.—The credit allowed under subsection (a) shall be allowed with respect to any certified individual only if the certification is verified in such manner as the Secretary shall prescribe by regulation.

“(d) ELECTION TO HAVE CREDIT NOT APPLY.—A taxpayer may elect to have this section not apply for any taxable year.”.

(c) EXCLUSION FROM INCOME FOR CERTAIN AMOUNTS.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by redesignating section 139 as section 140 and inserting after section 138 the following new section:

“SEC. 139. CERTAIN AMOUNTS RECEIVED BY CERTIFIED TEACHERS.

“(a) IN GENERAL.—In the case of a certified teacher, gross income shall not include the value of anything received during the taxable year solely by reason of such teacher having successfully completed the requirements for advanced certification provided by

the National Board for Professional Teaching Standards (such as an incentive payment).

“(b) CERTIFIED TEACHER.—For purposes of this section, the term ‘certified teacher’ has the meaning given the term ‘eligible teacher’ under section 35(b)(1).

“(c) VERIFICATION.—The exclusion under subsection (a) shall be allowed with respect to any certified teacher only if the certification is verified in such manner as the Secretary shall prescribe by regulation.

“(d) AMOUNTS MUST BE REASONABLE.—Amounts excluded under subsection (a) shall include only amounts which are reasonable.”.

(d) CONFORMING AMENDMENTS.—

(1) Section 1324(b)(2) of title 31, United States Code, is amended by striking “or” before “enacted” and by inserting before the period at the end “, or from section 35 of such Code”.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 35 and inserting the following:

“Sec. 35. Certified teacher credit.

“Sec. 36. Overpayments of tax.”

(3) The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 139 and inserting the following new items:

“Sec. 139. Certain amounts received by certified teachers.

“Sec. 140. Cross references to other Acts.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 605. SENSE OF THE SENATE REGARDING COVERAGE OF PRESCRIPTION DRUGS UNDER THE MEDICARE PROGRAM.

(a) FINDINGS.—The Senate makes the following findings:

(1) Projected on-budget surpluses for the next 10 years total \$1,900,000,000,000, according to the President’s mid-session review.

(2) Eliminating the death tax would reduce revenues by \$104,000,000,000 over 10 years, leaving on-budget surpluses of \$1,800,000,000,000.

(3) The medicare program established under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) faces the dual problem of inadequate coverage of prescription drugs and rapid escalation of program costs with the retirement of the baby boom generation.

(4) The concurrent resolution on the budget for fiscal year 2001 provides \$40,000,000,000 for prescription drug coverage in the context of a reform plan that improves the long-term outlook for the medicare program.

(5) The Committee on Finance of the Senate currently is working in a bipartisan manner on reporting legislation that will reform the medicare program and provide a prescription drug benefit.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that—

(1) on-budget surpluses are sufficient to both repeal the death tax and improve coverage of prescription drugs under the medicare program and Congress should do both this year; and

(2) the Senate should pass adequately funded legislation that can effectively—

(A) expand access to outpatient prescription drugs;

(B) modernize the medicare benefit package;

(C) make structural improvements to improve the long term solvency of the medicare program;

(D) reduce medicare beneficiaries’ out-of-pocket prescription drug costs, placing the highest priority on helping the elderly with the greatest need; and

(E) give the elderly access to the same discounted rates on prescription drugs as those available to Americans enrolled in private insurance plans.

SEC. 606. DEDUCTION FOR PREMIUMS FOR LONG-TERM CARE INSURANCE.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions) is amended by redesignating section 222 as section 223 and by inserting after section 221 the following:

“SEC. 222. PREMIUMS FOR LONG-TERM CARE INSURANCE.

“(a) IN GENERAL.—In the case of an eligible individual, there shall be allowed as a deduction an amount equal to 100 percent of the amount paid during the taxable year for any coverage for qualified long-term care services (as defined in section 7702B(c)) or any qualified long-term care insurance contract (as defined in section 7702B(b)) which constitutes medical care for the taxpayer, his spouse, and dependents.

“(b) LIMITATIONS.—

“(1) DEDUCTION NOT AVAILABLE TO INDIVIDUALS ELIGIBLE FOR EMPLOYER-SUBSIDIZED COVERAGE.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), subsection (a) shall not apply to any taxpayer for any calendar month for which the taxpayer is eligible to participate in any plan which includes coverage for qualified long-term care services (as so defined) or is a qualified long-term care insurance contract (as so defined) maintained by any employer (or former employer) of the taxpayer or of the spouse of the taxpayer.

“(B) CONTINUATION COVERAGE.—Coverage shall not be treated as subsidized for purposes of this paragraph if—

“(i) such coverage is continuation coverage (within the meaning of section 4980B(f)) required to be provided by the employer, and

“(ii) the taxpayer or the taxpayer’s spouse is required to pay a premium for such coverage in an amount not less than 100 percent of the applicable premium (within the meaning of section 4980B(f)(4)) for the period of such coverage.

“(2) LIMITATION ON LONG-TERM CARE PREMIUMS.—In the case of a qualified long-term care insurance contract (as so defined), only eligible long-term care premiums (as defined in section 213(d)(10)) shall be taken into account under subsection (a)(2).

“(c) SPECIAL RULES.—For purposes of this section—

“(1) COORDINATION WITH MEDICAL DEDUCTION, ETC.—Any amount paid by a taxpayer for insurance to which subsection (a) applies shall not be taken into account in computing the amount allowable to the taxpayer as a deduction under section 213(a).

“(2) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX PURPOSES.—The deduction allowable by reason of this section shall not be taken into account in determining an individual’s net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2.”.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 62 is amended by inserting after paragraph (17) the following:

“(18) LONG-TERM CARE INSURANCE COSTS OF CERTAIN INDIVIDUALS.—The deduction allowed by section 222.”.

(2) The table of sections for part VII of subchapter B of chapter 1 is amended by striking the last item and inserting the following:

“Sec. 222. Premiums for long-term care insurance.

“Sec. 223. Cross reference.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 607. FULL AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS.

(a) AVAILABILITY NOT LIMITED TO ACCOUNTS FOR EMPLOYEES OF SMALL EMPLOYERS AND SELF-EMPLOYED INDIVIDUALS.—

(1) IN GENERAL.—Section 220(c)(1)(A) (relating to eligible individual) is amended to read as follows:

“(A) IN GENERAL.—The term ‘eligible individual’ means, with respect to any month, any individual if—

“(i) such individual is covered under a high deductible health plan as of the 1st day of such month, and

“(ii) such individual is not, while covered under a high deductible health plan, covered under any health plan—

“(I) which is not a high deductible health plan, and

“(II) which provides coverage for any benefit which is covered under the high deductible health plan.”.

(2) CONFORMING AMENDMENTS.—

(A) Section 220(c)(1) is amended by striking subparagraphs (C) and (D).

(B) Section 220(c) is amended by striking paragraph (4) (defining small employer) and by redesignating paragraph (5) as paragraph (4).

(C) Section 220(b) is amended by striking paragraph (4) (relating to deduction limited by compensation) and by redesignating paragraphs (5), (6), and (7) as paragraphs (4), (5), and (6), respectively.

(b) REMOVAL OF LIMITATION ON NUMBER OF TAXPAYERS HAVING MEDICAL SAVINGS ACCOUNTS.—

(1) IN GENERAL.—Section 220 (relating to medical savings accounts) is amended by striking subsections (i) and (j).

(2) MEDICARE+CHOICE.—Section 138 (relating to Medicare+Choice MSA) is amended by striking subsection (f).

(c) REDUCTION IN HIGH DEDUCTIBLE PLAN MINIMUM ANNUAL DEDUCTIBLE.—

(1) IN GENERAL.—Subparagraph (A) of section 220(c)(2) (defining high deductible health plan) is amended—

(A) by striking “\$1,500” and inserting “\$1,000”, and

(B) by striking “\$3,000” in clause (ii) and inserting “\$2,000”.

(2) CONFORMING AMENDMENT.—Subsection (g) of section 220 is amended—

(A) by striking “1998” and inserting “1999”; and

(B) by striking “1997” and inserting “1998”.

(d) INCREASE IN CONTRIBUTION LIMIT TO 100 PERCENT OF ANNUAL DEDUCTIBLE.—

(1) IN GENERAL.—Section 220(b)(2) (relating to monthly limitation) is amended to read as follows:

“(2) MONTHLY LIMITATION.—The monthly limitation for any month is the amount equal to 1/2 of the annual deductible of the high deductible health plan of the individual.”.

(2) CONFORMING AMENDMENT.—Section 220(d)(1)(A) is amended by striking “75 percent of”.

(e) LIMITATION ON ADDITIONAL TAX ON DISTRIBUTIONS NOT USED FOR QUALIFIED MEDICAL EXPENSES.—Section 220(f)(4) (relating to additional tax on distributions not used for qualified medical expenses) is amended by adding at the end the following:

“(D) EXCEPTION IN CASE OF SUFFICIENT ACCOUNT BALANCE.—Subparagraph (A) shall not apply to any payment or distribution in any taxable year, but only to the extent such payment or distribution does not reduce the fair market value of the assets of the medical savings account to an amount less than the annual deductible for the high deductible health plan of the account holder (determined as of January 1 of the calendar year in which the taxable year begins).”.

(f) TREATMENT OF NETWORK-BASED MANAGED CARE PLANS.—Section 220(c)(2)(B) (re-

lating to special rules for high deductible health plans) is amended by adding at the end the following:

“(iii) TREATMENT OF NETWORK-BASED MANAGED CARE PLANS.—A plan that provides health care services through a network of contracted or affiliated health care providers, if the benefits provided when services are obtained through network providers meet the requirements of subparagraph (A), shall not fail to be treated as a high deductible health plan by reason of providing benefits for services rendered by providers who are not members of the network, so long as the annual deductible and annual limit on out-of-pocket expenses applicable to services received from non-network providers are not lower than those applicable to services received from the network providers.”.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 609. INCREASE IN NUMBER OF YEARS DISREGARDED.

(a) IN GENERAL.—Section 215(b)(2) of the Social Security Act (42 U.S.C. 415(b)(2)) is amended—

(1) by striking the period at the end of clause (ii) of subparagraph (A) and inserting a comma;

(2) by striking “Clause (ii), once” after and below clause (ii) of subparagraph (A) and inserting the following: “and reduced further to the extent provided in subparagraph (B). Clause (ii), once”;

(3) by striking “If an individual” in the matter following clause (ii) of subparagraph (A) and all that follows through the end of subparagraph (A);

(4) by redesignating subparagraph (B) as subparagraph (F); and

(5) by inserting after subparagraph (A) the following new subparagraphs:

“(B) Subject to subparagraph (C), in any case in which—

“(i) in any calendar year which is included in an individual’s computation base years—

“(I) such individual is living with a child (of such individual or his or her spouse) under the age of 12; or

“(II) such individual is living with a child (of such individual or his or her spouse), a parent (of such individual or his or her spouse), or such individual’s spouse while such child, parent, or spouse is a chronically dependent individual;

“(ii) such calendar year is not disregarded pursuant to subparagraphs (A) and (E) (in determining such individual’s benefit computation years) by reason of the reduction in the number of such individual’s elapsed years under subparagraph (A); and

“(iii) such individual submits to the Secretary, in such form as the Secretary shall prescribe by regulations, a written statement that the requirements of clause (i) are met with respect to such calendar year, then the number by which such elapsed years are reduced under this paragraph pursuant to subparagraph (A) shall be increased by one (up to a combined total not exceeding 5) for each such calendar year.

“(C)(i)(I) No calendar year shall be disregarded by reason of subparagraph (B) (in determining such individual’s benefit computation years) unless the individual had less than the applicable dollar amount (in effect for such calendar year under subclause (II)) of earnings as described in section 203(f)(5) for such year.

“(II) Except as otherwise provided in this subclause, the applicable dollar amount in effect under this subclause for any calendar year is \$3,000. In each calendar year after 2006, the Secretary shall determine and publish in the Federal Register, on or before November 1 of such calendar year, the applicable dollar amount which shall be effective

under this subclause for the next calendar year. Such dollar amount shall be equal to the applicable dollar amount which is effective under this subclause for the calendar year in which such determination is made, increased by a percentage equal to the percentage (rounded to the nearest 1/10 of 1 percent) by which the Consumer Price Index (prepared by the Department of Labor and used in determining increases in benefits pursuant to section 215(i)) for the calendar quarter ending on September 30 of such calendar year exceeds such index for the calendar quarter ending on September 30 of the last preceding calendar year in which a cost-of-living increase in benefits became effective under section 215(i).

“(ii) No calendar year shall be disregarded by reason of subparagraph (B) (in determining such individual’s benefit computation years) in connection with a child referred to in subparagraph (B)(i)(I) (and not referred to in subparagraph (B)(i)(II)) unless the individual was living with the child substantially throughout the period in such year in which the child was alive and under the age of 12 in such year.

“(iii) No calendar year shall be disregarded by reason of subparagraph (B) (in determining such individual’s benefit computation years) in connection with a child, parent, or spouse referred to in subparagraph (B)(i)(II) unless the individual was living with such child, parent, or spouse substantially throughout a period of 180 consecutive days in such year throughout which such child, parent, or spouse was a chronically dependent individual.

“(iv) The particular calendar years to be disregarded under this subparagraph (in determining such benefit computation years) shall be those years (not otherwise disregarded under subparagraph (A)) which, before the application of subsection (f), meet the conditions of the preceding provisions of this clause.

“(v) This subparagraph shall apply only to the extent that—

“(I) its application would not result in a lower primary insurance amount; and

“(II) it does not raise the primary insurance amount to a level greater than the average old-age insurance benefit paid under this title.

“(D)(i) For purposes of this paragraph, the term ‘chronically dependent individual’ means an individual who—

“(I) is dependent on a daily basis on another person who is living with the individual and is assisting the individual without monetary compensation in the performance of at least 2 of the activities of daily living (described in clause (ii)), and

“(II) without such assistance could not perform such activities of daily living.

“(ii) The ‘activities of daily living’, referred to in clause (i), are the following:

“(I) Eating.

“(II) Bathing.

“(III) Dressing.

“(IV) Toileting.

“(V) Transferring in and out of a bed or in and out of a chair.

“(E) The number of an individual’s benefit computation years as determined under this paragraph shall in no case be less than 2.”.

(b) EFFECTIVE DATE AND RELATED PROVISIONS.—

(1) IN GENERAL.—The amendments made by this Act shall apply with respect to computation base years ending before, on, or after the date of enactment of this Act, but only with respect to benefits payable for months after December 2005.

(2) NOTICE AND PROCEDURES.—

(A) 60-DAY FILING PERIOD AFTER ISSUANCE OF REGULATIONS FOR CALENDAR YEARS BEFORE

2001.—The requirements of clause (iii) of section 215(b)(2)(B) of the Social Security Act (as amended by this section) shall be treated as satisfied, in the case of a statement with respect to any calendar year before 2001, only if such statement is submitted to the Secretary of Health and Human Services not later than 60 days after the date of the first issuance in final form of the regulations required under such clause.

(B) NOTICE REQUIREMENTS.—The Secretary of Health and Human Services shall issue, not later than the date of the first issuance in final form of the regulations described in paragraph (I), regulations establishing procedures to ensure that—

(i) persons who are, as of such date, recipients of monthly benefits under section 202(a) or 223 of the Social Security Act, or applicants for such benefits, are fully informed of the amendments made by this section; and

(ii) such persons are invited to comply, and given a reasonable opportunity to comply, with the requirements of section 215(b)(2)(B)(iii) of the Social Security Act (as amended by this section), as provided in subparagraph (A).

Upon receiving from a recipient described in clauses (i) and (ii) a written statement referred to in clause (iii) of section 215(b)(2)(B) of the Social Security Act (as amended by this section) with respect to which the requirements of such clause are satisfied, the Secretary shall redetermine the amount of such benefits to the extent necessary to take into account the amendments made by this section (and if such redetermination results in an increase in such amount the increase shall be effective as provided in paragraph (I)). Such regulations described in subparagraph (A) shall also provide procedures to ensure that applicants for benefits under section 202(a) or 223 of the Social Security Act are given the opportunity, at the time of their application, to indicate and verify any additional years which may be disregarded under section 215(b)(2)(B) of the Social Security Act (as amended by this section).

SEC. 610. INCREASE IN WIDOWS' AND WIDOWERS' INSURANCE BENEFITS.

(a) WIDOW'S BENEFIT.—Section 202(e)(2)(A) of the Social Security Act (42 U.S.C. 402(e)(2)(A)) is amended by striking "equal to" and all that follows and inserting "equal to the greater of—

"(i) the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C)) of such deceased individual, or

"(ii) the lesser of—

"(I) 75 percent of the joint benefit which would have been received by the widow or surviving divorced wife and the deceased individual for such month if such individual had not died, or

"(II) the average old-age insurance benefit paid under this title."

(b) WIDOWER'S BENEFIT.—Section 202(f)(3)(A) of the Social Security Act (42 U.S.C. 402(b)(3)(A)) is amended by striking "equal to" and all that follows and inserting "equal to the greater of—

"(i) the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C)) of such deceased individual, or

"(ii) the lesser of—

"(I) 75 percent of the joint benefit which would have been received by the widow or surviving divorced wife and the deceased individual for such month if such individual had not died, or

"(II) the average old-age insurance benefit paid under this title."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals entitled to benefits after the date of enactment of this Act.

SEC. 611. MODIFICATION OF DEPENDENT CARE CREDIT.

(a) INCREASE IN PERCENTAGE OF EMPLOYMENT-RELATED EXPENSES TAKEN INTO ACCOUNT.—Subsection (a)(2) of section 21 (relating to expenses for household and dependent care services necessary for gainful employment) is amended—

(1) by striking "30 percent" and inserting "40 percent";

(2) by striking "\$2,000" and inserting "\$1,000"; and

(3) by striking "\$10,000" and inserting "\$30,000".

(b) INDEXING OF LIMIT ON EMPLOYMENT-RELATED EXPENSES.—Section 21(c) (relating to dollar limit on amount creditable) is amended to read as follows:

"(c) DOLLAR LIMIT ON AMOUNT CREDITABLE.—

"(1) IN GENERAL.—The amount of the employment-related expenses incurred during any taxable year which may be taken into account under subsection (a) shall not exceed—

"(A) an amount equal to 50 percent of the amount determined under subparagraph (B) if there is 1 qualifying individual with respect to the taxpayer for such taxable year, or

"(B) \$4,800 if there are 2 or more qualifying individuals with respect to the taxpayer for such taxable year.

The amount determined under subparagraph (A) or (B) (whichever is applicable) shall be reduced by the aggregate amount excludable from gross income under section 129 for the taxable year.

"(2) COST-OF-LIVING ADJUSTMENT.—

"(A) IN GENERAL.—In the case of a taxable year beginning after 2000, the \$4,800 amount under paragraph (1)(B) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1999' for 'calendar year 1992' in subparagraph (B) thereof.

"(B) ROUNDING RULES.—If any amount after adjustment under subparagraph (A) is not a multiple of \$50, such amount shall be rounded to the next lower multiple of \$50."

(c) MINIMUM DEPENDENT CARE CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Section 21(e) (relating to special rules) is amended by adding at the end the following:

"(1) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—

"(A) IN GENERAL.—Notwithstanding subsection (d), in the case of any taxpayer with 1 or more qualifying individuals described in subsection (b)(1)(A) under the age of 1, such taxpayer shall be deemed to have employment-related expenses for the taxable year with respect to each such qualifying individual in an amount equal to the sum of—

"(i) \$200 for each month in such taxable year during which such qualifying individual is under the age of 1, and

"(ii) the amount of employment-related expenses otherwise incurred for such qualifying individual for the taxable year (determined under this section without regard to this paragraph).

"(B) ELECTION TO NOT APPLY THIS PARAGRAPH.—This paragraph shall not apply with respect to any qualifying individual for any taxable year if the taxpayer elects to not have this paragraph apply to such qualifying individual for such taxable year."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 612. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

"SEC. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.

"(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to the sum of—

"(1) 25 percent of the qualified child care expenditures, and

"(2) 10 percent of the qualified child care resource and referral expenditures, of the taxpayer for such taxable year.

"(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed \$150,000.

"(c) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED CHILD CARE EXPENDITURE.—

"(A) IN GENERAL.—The term 'qualified child care expenditure' means any amount paid or incurred—

"(i) to acquire, construct, rehabilitate, or expand property—

"(I) which is to be used as part of an eligible qualified child care facility of the taxpayer,

"(II) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

"(III) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer,

"(ii) for the operating costs of an eligible qualified child care facility of the taxpayer, including costs related to the training of employees of the child care facility, to scholarship programs, to the providing of differential compensation to employees based on level of child care training, and to expenses associated with achieving accreditation, or

"(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.

"(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified child care expenditure' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

"(C) NONDISCRIMINATION.—The term 'qualified child care expenditure' shall not include any amount expended in relation to any child care services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

"(2) QUALIFIED CHILD CARE FACILITY.—

"(A) IN GENERAL.—The term 'qualified child care facility' means a facility—

"(i) the principal use of which is to provide child care assistance, and

"(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including, but not limited to, the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 121) of the operator of the facility.

"(B) ELIGIBLE QUALIFIED CHILD CARE FACILITY.—A qualified child care facility shall be treated as an eligible qualified child care facility with respect to the taxpayer if—

"(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

"(ii) the facility is not the principal trade or business of the taxpayer, and

“(iii) at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

“(C) APPLICATION OF SUBPARAGRAPH (B).—In the case of a new facility, the facility shall be treated as meeting the requirement of subparagraph (B)(iii) if not later than 2 years after placing such facility in service at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

“(3) QUALIFIED CHILD CARE RESOURCE AND REFERRAL EXPENDITURE.—

“(A) IN GENERAL.—The term ‘qualified child care resource and referral expenditure’ means any amount paid or incurred under a contract to provide child care resource and referral services to employees of the taxpayer.

“(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term ‘qualified child care resource and referral expenditure’ shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

“(C) NONDISCRIMINATION.—The term ‘qualified child care resource and referral expenditure’ shall not include any amount expended in relation to any child care resource and referral services unless the providing of such services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 404(q)).

“(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

“(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any eligible qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

“(A) the applicable recapture percentage, and

“(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

“(2) APPLICABLE RECAPTURE PERCENTAGE.—

“(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

If the recapture event occurs in:	The applicable recapture percentage is:
Year 1	100
Year 2	80
Year 3	60
Year 4	40
Year 5	20
Years 6 and thereafter	0.

“(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the eligible qualified child care facility is placed in service by the taxpayer.

“(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term ‘recapture event’ means—

“(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as an eligible qualified child care facility.

“(B) CHANGE IN OWNERSHIP.—

“(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in an eligible qualified child care facility with respect to which the credit described in subsection (a) was allowable.

“(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposi-

tion. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

“(4) SPECIAL RULES.—

“(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

“(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

“(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

“(e) SPECIAL RULES.—For purposes of this section—

“(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

“(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

“(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

“(f) NO DOUBLE BENEFIT.—

“(1) REDUCTION IN BASIS.—For purposes of this subtitle—

“(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

“(B) CERTAIN DISPOSITIONS.—If during any taxable year there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term ‘recapture amount’ means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

“(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) is amended—

(A) by striking out “plus” at the end of paragraph (1),

(B) by striking out the period at the end of paragraph (12), and inserting a comma and “plus”, and

(C) by adding at the end the following new paragraph:

“(13) the employer-provided child care credit determined under section 45D.”.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 45D. Employer-provided child care credit.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 613. MARRIAGE PENALTY RELIEF FOR EARNED INCOME CREDIT.

(a) IN GENERAL.—Paragraph (2) of section 32(b) (relating to percentages and amounts) is amended—

(1) by striking “AMOUNTS.—The earned” and inserting “AMOUNTS.—

“(A) IN GENERAL.—Subject to subparagraph (B), the earned”; and

(2) by adding at the end the following new subparagraph:

“(B) JOINT RETURNS.—In the case of a joint return, the phaseout amount determined under subparagraph (A) shall be increased by \$2,500.”.

(b) INFLATION ADJUSTMENT.—Paragraph (1)(B) of section 32(j) (relating to inflation adjustments) is amended to read as follows:

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined—

“(i) in the case of amounts in subsections (b)(2)(A) and (i)(1), by substituting ‘calendar year 1995’ for ‘calendar year 1992’ in subparagraph (B) thereof, and

“(ii) in the case of the \$2,500 amount in subsection (b)(2)(B), by substituting ‘calendar year 2000’ for ‘calendar year 1992’ in subparagraph (B) of such section 1.”.

(c) ROUNDING.—Section 32(j)(2)(A) (relating to rounding) is amended by striking “subsection (b)(2)” and inserting “subsection (b)(2)(A) (after being increased under subparagraph (B) thereof)”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

BAYH (AND OTHERS) AMENDMENT NO. 3843

Mr. BAYH (for himself, Mr. DURBIN, Ms. MIKULSKI, Mr. FEINGOLD, Mr. KOHL, Mr. BIDEN, and Mr. GRAHAM) proposed an amendment to the bill, H.R. 8, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the “Estate Tax Relief Act of 2000”.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

TITLE I—ESTATE TAX RELIEF

SEC. 101. INCREASE IN AMOUNT OF UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES.

(a) IN GENERAL.—The table contained in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

“In the case of estates of decedents dying, and gifts made, during:”	The applicable exclusion amount is:
2001, 2002, 2003, 2004, and 2005	\$1,000,000
2006 and 2007	\$1,125,000
2008	\$1,500,000
2009 or thereafter	\$2,000,000.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 102. INCREASE IN QUALIFIED FAMILY-OWNED BUSINESS INTEREST DEDUCTION AMOUNT.

(a) IN GENERAL.—Paragraph (2) of section 2057(a) (relating to family-owned business interests) is amended to read as follows:

“(2) MAXIMUM DEDUCTION.—

“(A) IN GENERAL.—The deduction allowed by this section shall not exceed the sum of—

“(i) the applicable deduction amount, plus

“(ii) in the case of a decedent described in subparagraph (C), the applicable unused spousal deduction amount.

“(B) APPLICABLE DEDUCTION AMOUNT.—For purposes of this subparagraph (A)(i), the applicable deduction amount is determined in accordance with the following table:

“In the case of estates of decedents dying during:	The applicable deduction amount is:
2001, 2002, 2003, 2004, and 2005	\$1,375,000
2006 and 2007	\$1,625,000
2008	\$2,375,000
2009 or thereafter	\$3,375,000.

“(C) APPLICABLE UNUSED SPOUSAL DEDUCTION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, and the estate of such immediately predeceased spouse met the requirements of subsection (b)(1), the applicable unused spousal deduction amount for such decedent is equal to the excess of—

“(i) the applicable deduction amount allowable under this section to the estate of such immediately predeceased spouse, over

“(ii) the sum of—

“(I) the applicable deduction amount allowed under this section to the estate of such immediately predeceased spouse, plus

“(II) the amount of any increase in such estate’s unified credit under paragraph (3)(B) which was allowed to such estate.”

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) is amended—

(1) by striking “\$675,000” both places it appears and inserting “the applicable deduction amount”, and

(2) by striking “\$675,000” in the heading and inserting “APPLICABLE DEDUCTION AMOUNT”.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—HEALTH PROVISIONS

SEC. 201. LONG-TERM CARE TAX CREDIT.

(a) ALLOWANCE OF CREDIT.—

(1) IN GENERAL.—Section 24(a) (relating to allowance of child tax credit) is amended to read as follows:

“(a) ALLOWANCE OF CREDIT.—

“(1) IN GENERAL.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

“(A) \$500 multiplied by the number of qualifying children of the taxpayer, plus

“(B) the applicable dollar amount multiplied by the number of applicable individuals with respect to whom the taxpayer is an eligible caregiver for the taxable year.

“(2) APPLICABLE DOLLAR AMOUNT.—For purposes of paragraph (1)(B), the applicable dollar amount for taxable years beginning in any calendar year shall be determined in accordance with the following table:

“Calendar year:	Applicable dollar amount:
2001	\$1,000
2002	\$1,500
2003	\$2,000
2004	\$2,500
2005 and thereafter	\$3,000.”

(2) ADDITIONAL CREDIT FOR TAXPAYER WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—So much of section 24(d) as precedes paragraph (1)(A) thereof is amended to read as follows:

“(d) ADDITIONAL CREDIT FOR TAXPAYERS WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—

“(1) IN GENERAL.—If the sum of the number of qualifying children of the taxpayer and the number of applicable individuals with respect to which the taxpayer is an eligible caregiver is 3 or more for any taxable year, the aggregate credits allowed under subpart C shall be increased by the lesser of—”.

(3) CONFORMING AMENDMENTS.—

(A) The heading for section 32(n) is amended by striking “CHILD” and inserting “FAMILY CARE”.

(B) The heading for section 24 is amended to read as follows:

“SEC. 24. FAMILY CARE CREDIT.”

(C) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 24 and inserting the following new item:

“Sec. 24. Family care credit.”

(b) DEFINITIONS.—Section 24(c) (defining qualifying child) is amended to read as follows:

“(c) DEFINITIONS.—For purposes of this section—

“(1) QUALIFYING CHILD.—

“(A) IN GENERAL.—The term ‘qualifying child’ means any individual if—

“(i) the taxpayer is allowed a deduction under section 151 with respect to such individual for the taxable year,

“(ii) such individual has not attained the age of 17 as of the close of the calendar year in which the taxable year of the taxpayer begins, and

“(iii) such individual bears a relationship to the taxpayer described in section 32(c)(3)(B).

“(B) EXCEPTION FOR CERTAIN NONCITIZENS.—The term ‘qualifying child’ shall not include any individual who would not be a dependent if the first sentence of section 152(b)(3) were applied without regard to all that follows ‘resident of the United States’.

“(2) APPLICABLE INDIVIDUAL.—

“(A) IN GENERAL.—The term ‘applicable individual’ means, with respect to any taxable year, any individual who has been certified, before the due date for filing the return of tax for the taxable year (without extensions), by a physician (as defined in section 1861(r)(1) of the Social Security Act) as being an individual with long-term care needs described in subparagraph (B) for a period—

“(i) which is at least 180 consecutive days, and

“(ii) a portion of which occurs within the taxable year.

Such term shall not include any individual otherwise meeting the requirements of the preceding sentence unless within the 39½ month period ending on such due date (or such other period as the Secretary prescribes) a physician (as so defined) has certified that such individual meets such requirements.

“(B) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—An individual is described in this subparagraph if the individual meets any of the following requirements:

“(i) The individual is at least 6 years of age and—

“(I) is unable to perform (without substantial assistance from another individual) at least 3 activities of daily living (as defined in section 7702B(c)(2)(B)) due to a loss of functional capacity, or

“(II) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment and is unable to perform at least 1 activity of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the

Secretary of Health and Human Services), is unable to engage in age appropriate activities.

“(ii) The individual is at least 2 but not 6 years of age and is unable due to a loss of functional capacity to perform (without substantial assistance from another individual) at least 2 of the following activities: eating, transferring, or mobility.

“(iii) The individual is under 2 years of age and requires specific durable medical equipment by reason of a severe health condition or requires a skilled practitioner trained to address the individual’s condition to be available if the individual’s parents or guardians are absent.

“(3) ELIGIBLE CAREGIVER.—

“(A) IN GENERAL.—A taxpayer shall be treated as an eligible caregiver for any taxable year with respect to the following individuals:

“(i) The taxpayer.

“(ii) The taxpayer’s spouse.

“(iii) An individual with respect to whom the taxpayer is allowed a deduction under section 151 for the taxable year.

“(iv) An individual who would be described in clause (iii) for the taxable year if section 151(c)(1)(A) were applied by substituting for the exemption amount an amount equal to the sum of the exemption amount, the standard deduction under section 63(c)(2)(C), and any additional standard deduction under section 63(c)(3) which would be applicable to the individual if clause (iii) applied.

“(v) An individual who would be described in clause (iii) for the taxable year if—

“(I) the requirements of clause (iv) are met with respect to the individual, and

“(II) the requirements of subparagraph (B) are met with respect to the individual in lieu of the support test of section 152(a).

“(B) RESIDENCY TEST.—The requirements of this subparagraph are met if an individual has as his principal place of abode the home of the taxpayer and—

“(i) in the case of an individual who is an ancestor or descendant of the taxpayer or the taxpayer’s spouse, is a member of the taxpayer’s household for over half the taxable year, or

“(ii) in the case of any other individual, is a member of the taxpayer’s household for the entire taxable year.

“(C) SPECIAL RULES WHERE MORE THAN 1 ELIGIBLE CAREGIVER.—

“(i) IN GENERAL.—If more than 1 individual is an eligible caregiver with respect to the same applicable individual for taxable years ending with or within the same calendar year, a taxpayer shall be treated as the eligible caregiver if each such individual (other than the taxpayer) files a written declaration (in such form and manner as the Secretary may prescribe) that such individual will not claim such applicable individual for the credit under this section.

“(ii) NO AGREEMENT.—If each individual required under clause (i) to file a written declaration under clause (i) does not do so, the individual with the highest modified adjusted gross income (as defined in section 32(c)(5)) shall be treated as the eligible caregiver.

“(iii) MARRIED INDIVIDUALS FILING SEPARATELY.—In the case of married individuals filing separately, the determination under this subparagraph as to whether the husband or wife is the eligible caregiver shall be made under the rules of clause (ii) (whether or not one of them has filed a written declaration under clause (i)).”

(c) IDENTIFICATION REQUIREMENTS.—

(1) IN GENERAL.—Section 24(e) is amended by adding at the end the following new sentence: “No credit shall be allowed under this

section to a taxpayer with respect to any applicable individual unless the taxpayer includes the name and taxpayer identification number of such individual, and the identification number of the physician certifying such individual, on the return of tax for the taxable year."

(2) ASSESSMENT.—Section 6213(g)(2)(I) of such Code is amended—

(A) by inserting "or physician identification" after "correct TIN", and

(B) by striking "child" and inserting "family care".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SECTION 202. FULL DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Section 162(l)(1) (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

"(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer's spouse, and dependents."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

FEINGOLD AMENDMENT NO. 3844

Mr. FEINGOLD proposed an amendment to the bill, H.R. 8, supra; as follows:

On page 2, line 16, after "is hereby repealed", insert the following: "for estates up to \$100,000,000 in size".

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

Mr. ROTH. Mr. President, I ask unanimous consent that the Committee on Banking, Housing, and Urban Affairs be authorized to meet during the session of the Senate on Thursday, July 13, 2000, to conduct a mark-up on "S. 2107, the Competitive Market Supervision Act; S. 2266, the 2002 Winter Olympic Commemorative Coin Act; S. 2453, awarding a Congressional Gold Medal to Pope John Paul II; S. 2459, awarding a Congressional Gold Medal to former President Ronald Reagan and former first lady Nancy Reagan; a committee print of a substitute amendment to S. 2101, the International Monetary Stability Act of 2000; and a committee print of a substitute amendment to H.R. 3046, providing for semi-annual Federal reserve testimony before Congress."

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. ROTH. Mr. President, I ask unanimous consent that the Committee on Energy and Natural Resources be authorized to meet during the session of the Senate on Thursday, July 13, for purposes of conducting a Full Committee business meeting which is scheduled to begin at 9:30 a.m. The pur-

pose of this business meeting is to consider pending calendar business.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. ROTH. Mr. President, I ask unanimous consent that the Committee on Energy and Natural Resources be authorized to meet during the session of the Senate on Thursday, July 13 immediately following the business meeting to conduct an oversight hearing. The committee will receive testimony on Gasoline Supply Problems: Are deliverability, transportation, and refining/blending resources adequate to supply America at a reasonable price?

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON HEALTH, EDUCATION, LABOR AND PENSIONS

Mr. ROTH. Mr. President, I ask unanimous consent that the Committee on Health, Education, Labor, and Pensions, Subcommittee on Employment, Safety, and Training be authorized to meet for a hearing on "The Effect of the Proposed Ergonomics Standard on Medicaid and Medicare Patients and Providers" during the session of the Senate on Thursday, July 13, 2000 at 9:30 a.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

SELECT COMMITTEE ON INTELLIGENCE

Mr. ROTH. Mr. President, I ask unanimous consent that the Select Committee on Intelligence be authorized to meet during the session of the Senate on Thursday, July 13, 2000 at 2:30 p.m. to hold a closed hearing on intelligence matters.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON INTERNATIONAL SECURITY, PROLIFERATION, AND FEDERAL SERVICES

Mr. ROTH. Mr. President, I ask unanimous consent that the Governmental Affairs Subcommittee on International Security, Proliferation, and Federal Services be authorized to meet during the session of the Senate on Thursday, July 13, 2000, at 2:00 p.m. for a hearing on the annual report of the Postmaster General.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON NATIONAL PARKS, HISTORIC PRESERVATION AND RECREATION

Mr. ROTH. Mr. President, I ask unanimous consent that the Subcommittee on National Parks, Historic Preservation and Recreation of the Committee on Energy and Natural Resources be authorized to meet during the session of the Senate on Thursday, July 13, at 2:30 p.m. to conduct a hearing. The subcommittee will receive testimony on S. 2294, a bill to establish the Rosie the Riveter-World War II Home Front National Historical Park in the State of California, and for other purposes; S. 2331, a bill to direct the Secretary of the Interior to recalculate the franchise fee owed by Fort Sumter Tours, Inc., a concessioner providing service

to Fort Sumter National Monument, South Carolina; S. 2598, a bill to authorize appropriations for the United States Holocaust Museum, and for other purposes; and S. Con. Res. 106, a resolution recognizing the Hermann Monument and the Herman Heights Park in New Ulm, Minnesota, as a national symbol of the contributions of Americans of German heritage.

The PRESIDING OFFICER. Without objection, it is so ordered.

PRIVILEGE OF THE FLOOR

Mr. REID. I ask unanimous consent that Phoebe Haupt who works in my office be extended privileges of the floor during the pendency of H.R. 8.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. REID. Mr. President, I ask unanimous consent that Ruth Lodder, an Air Force fellow in the office of FRANK LAUTENBERG, be granted floor privileges during the duration of the 106th Congress.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KERRY. Mr. President, I ask unanimous consent that Jennifer Fogul-Bublick, a fellow in my office, be granted the privilege of the floor during this debate.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROTH. Mr. President, I ask unanimous consent that the following members of the staff of the Joint Committee on Taxation have floor privileges: Joe Nega, John Navratil, Rick Grafmeyer, Todd Simmens, Barry Wold, and Tom Barthold.

The PRESIDING OFFICER. Without objection, it is so ordered.

NATIONAL FRAGILE X AWARENESS DAY

On July 12, 2000, the Senate passed S. Res. 268, as follows:

S. RES. 268

Whereas Fragile X is the most common inherited cause of mental retardation, affecting people of every race, income level, and nationality;

Whereas 1 in every 260 women is a carrier of the Fragile X defect;

Whereas 1 in every 4,000 children is born with the Fragile X defect, and typically requires a lifetime of special care at a cost of over \$2,000,000;

Whereas Fragile X remains frequently undetected due to its recent discovery and the lack of awareness about the disease, even within the medical community;

Whereas the genetic defect causing Fragile X has been discovered, and is easily identified by testing;

Whereas inquiry into Fragile X is a powerful research model for neuropsychiatric disorders, such as autism, schizophrenia, pervasive developmental disorders, and other forms of X-linked mental retardation;

Whereas individuals with Fragile X can provide a homogeneous research population for advancing the understanding of neuropsychiatric disorders;

Whereas with concerted research efforts, a cure for Fragile X may be developed;